FT No. 31,148 the financial times limited 1990

Tuesday May 15 1990

D 8523A

#### of E German nuclear plant venture in disaster risk

East Germany's main nuclear power station is so dangerous; it should be closed immediately to avoid a Chernobyl-like disaster, according to a group

of environmental experts.

The group condemned security systems and other equipment in four reactor blocks at Greifswald power plant as totally inadequate. Page 3

#### Philippines riots

Riot police fought hundreds of left-wing demonstrators protesting against the US military presence in the Philippines as the two countries opened talks in Manila on the future of America's largest overseas

#### Invasion blocked Jordanian security forces dis-persed thousands of pro-Palestinian demonstrators with tear gas to stop them trying to cross the Jordan River into the Israeli-occupied West Bank.

London bomb blast A bomb exploded outside a . British army education building in London, wounding seven civilians, Page 19

US-tran deal signed The US and Iran have signed a \$105m agreement to settle some 2,750 US financial claims arising from the Iranian revo-

Oil flow paralysed Colombian leftist rebels blew up part of the country's main oil pipeline, paralysing the transport of crude oil.

Universities reopen Israel said it would start reopening Arab universit Gaza Strip, closed by the army for almost the entire 29 months

#### **Gulf exchange** The Iraqi Foreign Minister Tareq Aziz said Iran had offi-

cially answered a letter from the Iraqi government calling Legal action threat

Iraq threatened legal action against Italy, Greece and Turkey for seizing steel compo-'super-gun."

#### Speculator freed A Brazilian judge has freed speculator Naji Nahas who was placed under house arrest after sparking a crisis in Bra-

zil's stock exchanges last year. Defection denied Dinlomats in Hong Kong confirmed that Xu Jiatun,

#### Peking's de facto ambassador to Hong Kong for seven years until last January, was in the US, but denied press specula-tion that he might be planning to defect. Pers 4 to defect. Page 4

Pirate attack. Pirates attacked a boat carry-ing 85 Vietnamese off the Malaysian coast, killing many of those on board, abducting 18 women and leaving the rest to drown. There was only one

# **Aviation deaths**

More than 2,000 people died in 70 air crashes in China last years, making it the country's worst year for aviation deaths.

#### More graves daubed Vandals in the Swedish city of Lund daubed red paint on gravestones marking graves of refugees from Nazi concen-

tration camps. French grave Ethiopian food fear A senior UN official expressed

#### concern over a critical drop in Ethiopian food stocks.

Strikers warned The Nicaraguan Government told striking state workers they had 24 hours to return

#### **Business Summary**

# **Experts warn Mitsubishi** seeks joint west Europe

Mitsubishi Motors, the Japanese car and truck maker, is negotiating with Chrysler of the US as well as with Volvo of Sweden and Daimler-Benz of West Germany on the set-ting up of a car production joint venture in western Europe. Page 25
SWISS Bank Corporation,
Switzerland's second largest
banking group, has bought,
registered shares giving it 48.7 per cent of Unigestion, Geneva-based finance company.

land's sixth largest commercial bank. Page 25 BRITAIN'S Securities and Investment Board has won a court battle to stop unauthorised investment companies seeking business in the UK while operating outside the

which controls Banca della Svizzera Italiana (BSI), Switzer

JAPAN is preparing plans to raise public investment by about 50 per cent over the next 10 years compared with the last 10 in order to meet US criticisms of Japanese economic

policy. Page 24 COMPAGNIE Générale des Eaux, France's largest water and public services company, is to take a \$100m stake in Air and Water Technologies Corporation (AWT), a New Jersey-based specialist in water resource management, air pol-lution control and the disposal of waste products. Page 25

STATE Bank of South Australia plans to become the fifth largest banking group in New Zealand by absorbing the coun-try's United Building Society.

BELGIUM is appealing to the International Monetary Fund (IMF) to use its influence to curb "beggar my neighbour" taxation policies, especially where they relate to income on capital, Page 3.

SEELL, Angio-Dutch off com-pany, has linked with five cor-positions in mainland China in a plan for a \$2.5bn.\$3bn oil refinery and petrochemical plant at Huizhou, Guangdong.

JACOBS Suchard USA, American subsidiary of the Swiss confectionery and coffee com-pany, has failed in its attempt to win Foreign Trade Zone status. Page 27

CHIKF executives of some of the largest US computer companies have issued proposals for changes in anti-dumping laws and measures to increase market access for US products in foreign markets.

TRUMP Shuttle, US airline, is still more than 18 months away from turning in a net profit. Page 27

VENEZUELA reported that direct, registered foreign investment in the country stood at an estimated \$2.4bn at the end of 1989 – a rise of 14 per cent over 1988. Page 6 FORD UK, subsidiary of the US car manufacturer, suffered

a 28 per cent fall in pre-tax profits last year to \$806.61m from a record \$1.12bn a year earlier. Page 12

TAIWAN may soon gain its first new Japanese bank outlet for nearly 20 years in spite of resistance by the authorities in Tokyo, which are wary of disrupting Japan's relationship with China. Page 27

AIR Liquide, leading industrial gases group, is to invest \$28.77m in a new liquid hydro-gen unit in French Guyana to power the Ariane 4 and 5 rockets produced by the European joint venture Arianespace. Page 26

CREDIT LYONNAIS Belginm, subsidiary of the leading French banking group, made an aggressive pitch for a slice of the Belgian savings market with the launch of two new investment products. Page 29

# Bonn may fund unity costs with D-Mark bond issues

By David Marsh in Bonn

West Government is considering spe-cial D-Mark bond issues directed at international investors, especially the Japanese, to help meet the costs of finan-cing German unification.

The bonds would be issued

with a full government guaran-tee by the German Unity Fund, a financing vehicle to be set up by Bonn and the state governments to channel long-term investment into rebuilding the East German economy. The Bonn Government is still only at a very early stage of pondering the question of special foreign borrowing.

such direct recourse to foreign markets would be highly con-troversial because it might add to investors' and taxpayers' fears about the cost of German unity. It could also spark wor-ries in the US and other debtor countries about intensified competition for limited Japanese funds Although no decision has

been taken, a senior Bonn offi-cial said yesterday that Japa-nese investors were one of the possible targets for future bor-rowing by the unity fund. The unity fund will lower the strain on central government resources stemming from Benn's plan to take over responsibility for the East Ger-man budget after German mon-

Gorbachev yesterday officially condemned the secession moves of both Estonia and Latvia, leaving himself in open confrontation with all three

rebellious. Baltic republics, including Lithuania.

In two presidential decrees read out on Soviet television last night, Mr Gorbachev declared that both republics had violated the Soviet constitution as well as a new law or leave the constitution.

tution, as well as a new law on secession, in declaring their determination to quit the

particular, declared that "any action of state bodies and offi-

cers, as well as private per-

July 2. Bonn sees the prime advantage of a separate unity financing mechanism as pro-viding a different type of debt instrument for the capital mar-

kets in coming years.
The fund is also due to tap savings both in Germany and abroad by privatising large parts of East Germany's state-owned industry.

Pointing out the size of recent Japanese investment in West German securities, the official said yesterday that Jap-anese security houses were likely to be interested in future unity fund issues. According to Bundesbank

figures, Japan purchased a net total of more than DM13bn (\$7.8bn) of West German shares and fixed interest securities in 1968 and 1989, above all government and local authority bonds. Japanese buying interest, however, has fallen lately as a result of the weakness of the weakness of the weakness of the weakness of the yen and the Japanese financial markets. The Bonn official stressed

yesterday that West Germany was looking only at issuing D-Mark denominated securities. Bonds in foreign curren-cies would not be necessary. The last time that West Germany moved directly to tap the international capital markets was in the early 1980s. Then, Bonn issued large amounts of bond issues to Saudi Arabia

restoration of its former inde-pendent constitution, was ille-

At the same time, however, his most powerful political challenger, Mr Boris Yeltsin, condemned Mr Gorbachev's

economic blockade against Lithuania and called on the Soviet President to open nego-tiations with the Lithuanian

"You cannot sunounce a blockade of your own nation." Mr Yeltsin told a meeting in Moscow. He threw down an

Gorbachev attacks secession moves

and other international monetary authorities to finance a temporary move into current account deficit.

The position then, however, contrasted completely with West Garmany's present large current account surplus, totalling DM104bn last year, which enabled the Federal Republic by the end of the 1980s to assemble net foreign assets of about DM500bn.

In view of West Germany's status in recent years as a large exporter of capital, any renewed bid to enter directly the foreign markets would be certain to raise eyebrows abroad. However, as a result of the challenge of financing East Germany's move to a market economy, the D-Mark bond markets are steeling them-

selves for increased Bonn bor-rowing in coming years.

Estimates in Bonn that Ger-many's overall central govern-ment budget deficit next year could surpass DM100bn were one factor driving down West German bond prices yesterday. Victories for the opposition Social Democrats in key state elections on Sunday – greatly complicating Bonn's fiscal policy-making - were another rea-son behind worsened senti-

Reversing a prices rally last week, yields on 10-year govern-ment issues have increased

dence and tried to enter the

Baltic state's parliament as they called on the republic to rescind its independence decla-

supporters clashed briefly with the demonstrators who had tried to take an anti-indepen-dence petition into the parlia-ment. No one was hurt. The protest, led by an unofit-

cial committee of senior mili-tary figures, ended when Mr Anatolii Gorbunovs, the repub-lic's president, agreed to receive a petition from the sol-

again to 8.57 per cent, more than 1 percentage point above levels at the start of the year, after reaching as high as 9 per cent in past weeks.

The exact size of Bonn government borrowing after the July 2 currency union depends on fiscal measures still to be on fiscal measures still to be negotiated with East Germany, as well as agreement with the West German Länder (states) on sharing out extra funding

burdens.

The East Berlin Government has pledged to make a start on selling state assets as a key feature of the state treaty on monetary union being finalised this week between the East and West German Governments. The buildings and property of the secret police alone have been valued by the East Berlin Government at more Berlin Government at more than 60bn East German Marks.

than 60bn East German Marks.
Mr Theo Waigel, the West
German Finance Minister, yesterday held talks on the state
treaty in East Berlin with Mr
Walter Romberg, his East German opposite number. Mr Waigel repeated before the meeting
Bonn's refusal to go beyond its previous commitments to finance East German social security insurance in the coming economic and currency

Wave of refugees, Page 2; Lex, Page 24; Voters air their mis-givings, Page 24

headquarters of the Soviet Union's entire Baltic military

The military demonstration

came as a Latvian Government delegation prepared to travel to

Moscow for talks today with the Soviet authorities on Lat-via's independence declaration, made two weeks ago.

After the demonstration a military helicopter circled Riga, the Latvian capital, drop-

ping leaflets signed by a pro-Moscow Russian organisation and urging opponents of inde-pendence to march on the par-

liament building today.

The republic's ethnic Russians, who comprise almost 1m

of Latvia's 2.7m population,

also called a strike for today in

protest at the independence

dence protests, however, Mr Ivars Godamia, the new Lat-Yeltsin challenge, Page 2 Continued on Page 24

In the face of anti-indepen-

district.



Van der Klugt: steps down in July

# Philips prepares crisis plan as chairman quits

PHILIPS, the Dutch electronics group, is to unveil a package of strong measures aimed at restoring investor confidence and profitability. This emerged yesterday as

the company announced that Mr Cor van der Klugt, 65, exec-utive chairman of Philips, would step down on July 1 – a year early. He will be replaced by Mr Jan Timmer, already his designated successor, who is at present head of consumer elecironics for the company.
Mr Gert Lorenz, head of the

information systems division, one of Philips' problem areas, will also step down on July I. The changes were announced yesterday at a hastily arranged news conference by Mr Wisse Dekker, chairman of the company's supervisory board.

Dekker, chairman of the company's supervisory board.

The tense atmosphere at the company was evident when Mr Dekker appeared alone at the press conference, without any members of management. Mr Dekker referred to a "crisis of confidence" at the company.

The stock market reacted favourably to the news of Mr Timmer's early appointment. Philips' shares closed 6 per cent higher at F133.40 after a steady drop in recent weeks.

The management reshuffle, The management reshuffle, including a possible cut in the number of board members, will be presented to shareholders at an extraordinary meeting some time around July 1. Mr Dekker

intended "drastic measures" and cautioned that they might not be ready by the time of the extraordinary meeting.
"We won't win confidence in the financial markets by

announcing a series of mea-

sures within one week," he said. "We must restore confi-dence as soon as possible but not through panic.

The boardroom crisis was sparked by the company's dis-closure on May 3 that firstquarter earnings, excluding extraordinary gains, plunged to Fi 6m (\$3.3m) from Fi 223m a year earlier. Only three weeks earlier, Mr van der Klugt had told shareholders that the company was on track to achieve its expected 1990 earnings.

Mr Dekker also refused to comment futher on this year's earnings outlook. "I was shocked by the bad profits this past quarter," he said. "But I was more shocked that expectations were generated and not lived up to. That big gap is the source of the crisis of confi-

Mr Timmer is already put Mr Timmer is already putting his stamp on the management board. Mr Ype Bouwkamp, now head of the lighting
division, will be promoted to
the job of vice president on
July 1, a year earlier than
planned. Mr Bouwkamp is considered just as tongh a manager as Mr Timmer; his promotion comes apparently at Mr
Timmer's urging.
Union leaders yesterday
expressed fears of fresh layoffs
at Philipa, following years of
streamlining. The new reorgan-

streamlining. The new reorganisation measures are expected to go beyond personnel cuts and factory closures, to address the fundamental problems of the computer and integrated circuits divisions.

Buoyant demand fuels infla-tion fears, Page 10; Lex, Page

#### open challenge to the Soviet leader, insisting that he will stand for election as president In a move which provides One soldier said: "Our stre-Soviet legal backing for Russian immigrants in the Baltic riors are not doing enough to republics to defy their local of the Russian federation parreverse what is happening here liament tomorrow, and, if elected, seek to conclude direct treaties with all other repub-lics – the Baltics first. governments, he declared that the Latvian and Estonian Soviet Union which we have solemnly sworn to do. The view among Latvian actions had "no juridical force from the moment of adoption." activists, however, was that the military demonstrators enjoyed the discreet support of their commanders in Rigs, the Mr Gorbachev's warning

came as up to 200 Soviet army

officers mounted a demonstra-

tion against Latvian indepen-

US shares reach record high,

London and Tokyo up strongly By Karen Zagor in New York and Andrew Marshell in London

By Quentin Peet in Moscow and Christopher Bobinski in Riga

US SHARE PRICES hit a new record high yesterday, as equi-ties also recorded strong rises

in London and Tokyo. The Dow Jones Industrial Average closed at 2,821.53, up 19.95 after being 38.00 points up at mid-session. Its previous record high came on January 2, when the index closed at

The US stock market rally was spurred by belief that interest rates had peaked and that the US Federal Reserve would not be pressed into tightening monetary policy. This prompted institutional investors to put their assets into stocks and reduce their cash positions. Wall Street soared yesterday morning in very active trading as the momentum from Friday's rally, which sent the Dow Jones Industrial Average up more than 63 points on Friday, car-ried through into a second day

of training.

Stock prices overcame an early round of profit-taking on the back of Friday's strong gain. Although the gain in US stocks was broadly based, with

**Dow Jones** Industrial Average some analysts said. 2700

1990 May advancing issues outpacing those declining by a ratio of 11 to four and the important Stan-dard & Poor's 500 index adding 4.74 points to 356.74, analysts were not convinced that the market will be able to hold on

to its recent gains.

The Dow had been oscillating between about 2,540 and 2,810 for about six months, and many analysts had expected stock prices to decline until Friday's economic news, which

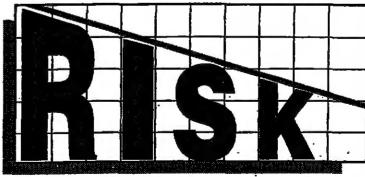
showed that wholesale inflation in April had fallen by 0.3 per cent instead of rising 0.2 per cent as expected.

News of unexpected strength in the economy could equally dampen the market's gains, The US stock market was

also encouraged yesterday by a surge in stock prices in Tokyo. This was triggered by the yen's recovery against the dollar and lower interest rates in the bond market. In Tokyo, the key 225-share Nikkei index closed up 530.51 points or 1.68 per cent to 32,042.65 after surging on 531.88 on Friday, boosted by Wall Street's rise and the dollar's weakness. It was the first time the Nikkei had closed above the 32,000-point level in two

The combined strength of Tokyo and New York helped London's equity market to overcome gloomy economic news. The FT-SE 100 index jumped 38.6 points to close 1.8 per cent higher at 2,214.5, its largest daily gain since last Continued on Page 24 Markets, Section II

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#### CONTENTS

to work or be fired:

Phone club days numbered: Change is on | Communism in Romania is dead the line for global cartel ... Technology: Hospital computers - a case for screening doctors and nurses ...... Managements When the time comes to bring in an outsider Editorial Comment: A shot across Kohl's bows, Patents for pharmaceuticals .......

Fall from grace at Philips: Array of problems face the Dutch electronics giant ...... Lexi Philips; Germany; Marks and Spencer; Section III Insurance: Survey ...

but the communists are not



Romania's Interim President Ion Illescu (left) want to ban all former communist Sunday's elections. But supporters say some of them are taiented and needed.

Observer ...... Stock Merkets -London .....

GOLD New York: Comex Jun \$369.9 (370.5) \$369.00 (369.00)

STERLING

New York close

SFr1.3955 (1.3950) Y152.75 (152.65) \$ index 67.0 (66.8) Tokyo close: 153.35 US closing rates Fed Funds 814% (818) 3-mo Treasury BH

3-month interbank;

# MARKETS

New York close DM1.6435 (1.6375) \$1.6825 (1.5790) FFr5.5370 (5.5295) \$1.6815 (1.6815) SFr1.3920 (1.3995) DM2.7650 (2.7425) FFr9.3200 (9.2700) Y152,425 (152,65) SFr2.3475 (2.3450) DM1.6445 (1.6305) FFr5.5425 (5.6125) Y256.75 (256.75) £ Index 87.5 (87.1)

DOLLAR

32,042.65 (+530.51) LONDON MONEY closing 15& (15%) Lifte long gilt future: Jun 8133 (8133)

Quotron

2,3 Britain 10-12 Edito
27 Companies 30-34 Finer
7,8 Arts Guide + Reviews 21 Forei
26 Commercial Law 14 Gold
4 Commercial Saw 35 Intil (
28 Crossword 44 Lette
6 Currencies & money 44 Lex

N SEA OIL (Argus) Brent 15-day Jul \$18.00 (17.285) Chief price changes yesterday: Page 25

yield: 7.871% (7.86) Long Bond: 10133 (98) yield: 8.584% (8.67)

2,214.5 (+38.6)

FT Ordinary: 1,733.5 (+24.7)

FT-A All-Share:

New York close

2,821.53 (+19.95)

S&P Comp 354.75 (+2.75)

Tokyo: Nikkai

DJ Ind. Av.

1,090.89 (+1.5%)

Peter Bartko

In the UK:

FXNET

#### **EUROPEAN NEWS**

# with IMF over tax competition

By Tim Dickson in Brussels

THE Belgian Government is appealing to the International Monetary Fund (IMF) to use its influence to curb "beggar my neighbour" taxation policies, especially where they relate to income on capital.

Mr Philippe Maystadt, the Belgian Finance Minister, has asked the IMF to suggest appropriate methods of tax co-ordination, "or at least limits on tax competition in the form of minimum taxation stan-

His initiative demonstrates the deep anxieties felt in small open economies like Belgium about full liberalisation of capianout full internalisation of capi-tal flows inside the European Community, starting in July, and the continuing determina-tion of certain member states to harmonise EC tax systems.
"Belgium faces a difficult budgetary situation stemming mostly from the very high level of its public debt," writes Mr Maystadt, in a letter to Mr Michel Camdessus, managing director of the IMF. The coun-try "is becoming increasingly try "is becoming increasingly vulnerable to tax competition from its neighbours, not only with respect to the taxation of capital income, but also with respect to the indirect taxation [excise and value added taxes] of easily transportable con-

Although Mr Maystadt does not mention it, Luxembourg's

By Lucy Keliaway in Brussels

EC INDUSTRY ministers yesterday failed to agree on measures that would open up

the market for car insurance in Europe, with Britain and West

Germany at loggerheads over the speed at which liberalisa-tion should take place.

The Commission's proposal, which would allow insurance companies to sell "large risk" motor insurance anywhere in

the Community on a single

licence, is an important part of its plans for creating one Euro-pean market in insurance. The failure comes barely a month after London and Bonn signed

lack of a withholding tax on interest and dividends paid to prized banking secrecy - is a powerful magnet for Belgian funds. Indeed it was probably the most important reason why Mr Maystadt this year cut the rate of withholding tax on interest from government bonds from 25 to 10 per cent. Mr Maystadt's underlying

message to Mr Camdessus is that the problem is interna-tional Efforts to harmonise EC taxes have met with limited success, he suggests, partly because "today's worldwide mobility of capital has made some EC countries reluctant to agree on minimum standards for capital income taxation to which non-EC countries would

not conform."

He cites a recent IMF paper which concludes that the world economy will not reap the full benefits of the liberalisation of international markets until divergences in tax treatment which interfere with the effi-cient allocation of capital are removed. The paper suggests that just as countries find it necessary to co-ordinate trade policies under the General Agreement on Tariffs and Trade, they may also have to lay down additional rules of conduct for capital income tax-

EC deadlock on car insurance

an agreement that was sup-posed to signal a new spirit of co-operation on insurance and

financial matters.

Mr John Redwood, the UK's
junior Industry Minister,
expressed disappointment at
the lack of progress, and
accused West Germany and
Belgium, which he said were

the chief foot-draggers, of hypocrisy in urging political union of Europe at the same time as blocking essential sin-gle market rules.

The dispute centres on the date at which insurance com-

# Belgium pleads | E Germany draws wave of refugees

EAST EUROPEANS pursuing cation with the West. About western prosperity are flooding East Germany at a rate of 500 a day, burdening a nation still realing from the flight of its since late April, the officials western prosperity are flooding East Germany at a rate of 500 a day, burdening a nation still reeling from the flight of its own citizens, officials said yes-terday, AP reports from East Position

the world by four decades of Stalinist rule are now finding Stalinist rule are now finding the world rushing to them. Tens of thousands of refugees have arrived in recent weeks to seek work in a land of rising joblessness, the officials said.

"If quick regulations for the integration of foreigners are not created, the problem will become a social powderkeg," said Mr Joachim Krabs, an East Berlin social services official.

cial.

East Berlin and East German officials held a news conference yesterday to report on what they said has been a deluge of impoverished foreigners hared to East Germany because of its imminent economic unifi-

About 20,000 Poles also have About 20,000 Poles also have applied for citizenship in recent weeks, and several thousand Italians have entered the country, they said. About 650 East Europeans arrived on Monday morning alone at the train station in the East Berlin district of Vichtenberg district of Lichtenberg.

"We no longer know how we can control this enormous influx," said Mr Gerhard Kielmann, a Foreign Ministry official. "Most of them are fleeing their poor economic attuation in their nomeland."

Lichtenberg has become a way station for East Ruropeans entering the country on tourist visas. Hundreds wander the area with their belongings, children beg for money and soores of families often sleep in the station. Mr Krabs said

About 1,100 other East Euro-

peans, most of them Roma-nians and some Bulgarians, have been housed for the last week at an army barracks on a hase on the outskirts of Berlin. Another 300 are housed in another building. An estimated 15,000 have crossed the border and were believed heading for

The officials claimed that about 80 per cent of the new-comers from Eastern Europe were gypsies. The number of refugees is now averaging about 500 a day. East Germany's sudden

attraction is, in a way, a result of the mass flight of 500,000 East Germans to West Germany in the past year. Many were fleeing the former Comnumist Government that was toppled in October, but the

about 600 Romanians and other East Europeans live in the train station. in Novamber. However, wide-spread unemployment is expec-ted as scores of factories are closed down when they are forced to compete in a free market after unity.

Unemployment already has begun rising as East German consumers get more access to better-quality Western goods. The tensions over jobles sness have led to widespread clashes between foreigners and East Germans in factories and

on the streets in recent weeks.

A huge mêlée broke out in
Lichtenberg a week ago when
gangs of foreigners and young
East Germans squared up outside a discotheque.

East Germans de beautiful de la discotheque.

side a discotheque.

East Germany is home to tens of thousands of Vietnamese, Cubans and Mozambicans brought in by the former government to fill menial jobe but has no system for dealing with asylum seekers. A government working group has been trying to arrange lodging and other ald for foreigners.

# Yeltsin to launch bid from Russia

By Quentin Peel in Moscow

MR BORIS YELTSIN, the most popular political challenger to President Mikhail Gorbachev in the Soviet Union, yesterday announced plans to use the Russian federation as a base for a direct assault on the con-

tral government.
At a mass meeting in
Moscow two days before he will present bimself as candidate for president of the new-ly-elected Russian parliament.
Mr Yeltzin spell out plans to conclude direct republic-to-republic treaties – starting with the Baltic states – and international treaties, cutting across bioscow's authority.
He demanded the right for Russia – by far the largest constituent part of the USSR, with 146m inhabitants – to

draft an independent constitu-tion, independent tax laws, and international trade deals. He also called for the resig-nation of the Soviet govern-ment, headed by Mr Nikolai Ryzhkov, because of the failure of its economic reforms intro-And he accused Mr Gorba-chev of attempting to rig the Russian presidential election, using his office to urge depu-ties to vote against Mr Yeltsin, and preventing the broadcast of a TV interview putting the challenger's viewpoint.

The official Communist
Party candidate for the Russian presidency is Mr Alexander Vlasov, currently the
prime minister of the federation, and a Gorbachev ally.

# E Germans angry at property deals

By Leafle Collit in East Berlin

the break-up of the opposing military alliances, Nato and the Warsaw Pact, but
those proposals have been met with scepticism in Washington.

The question of military alliances and
allegiances is one of the central points in
the German unification talks.

Moscow says a united Germany cannot
remain in Nato while the US, West Germany and their allies insist on such a
membership. FORMER senior East German including those of the lated communist officials are anger and now dissolved Stati secu-Communist officials are angering the local populace by buying property at bargain prices
in a swift adaptation to the era
of private enterprise.

Mr Egon Krenz, who briefly
held power last antumn,
offered 252,000 East German

Marks for the two-storey villa Marks for the two-storey villa he occupies on Majakowskiring, in East Berlin's Pankow district. The immaculate white building is one of 140 homes in the neighbourhood and more than 1,000 in East Berlin "owned" by the Government's Supply Agency.

Paradoxically, the sale of real estate to westerners has

Paradoxically, the sale of real estate to westerners has been a hurdle in the nagotistions for a state treaty on monetary and economic union between East and West Germany. Boam wants westerners to be able to buy and sall property freely, but many East Germans are afraid of a self-out to property speculators.

have demonstrated repeatedly to prevent the Supply Agency from selling its properties cheaply to their occupants. The Agency was set up by the for-mer Communist regime to house its senior officials, rity police. Seventeen of the Government's homes in Pankow are still occupied by ex-Stasi officers.

Mr Paul Kienberg, the for-mer head of the Stasi depart-ment which supressed the ment which supressed the opposition, is one of a number of top officials who landed on their seet after the old regime was overthrown. Last November, he bought a comfortable house outside East Berlin for 16,500 Marks from the Supply Agency. The price, calculated on the besis of pre-war property values, was less than a sixteenth of the house's carrent market value.

The Party of Democratic Socialism (PDS), the successor to the Communist Party, has itself taken to offering nation-alised property under its con-trol' to well-baseled western

A sprawling building in a prime East Berlin location, which previously housed a cen-tral committee institute, is being rented by a PDS subsidiary called Fundament to west

#### Future of Warsaw Pact 'in the balance'

breaking up and its future could be decided at a meeting next month, East Germany's defence minister said yester-

Germany's defence minister said yester-day, AP reports from East Berlin.

Mr Rainer Eppelmann, East German Disarmament and Defence Minister, made some of the most pointed comments to date from within the seven-nation War-saw Pact. "It now appears as though the Warsaw Pact is in the process of dissolv-ing itself," he said in remarks carried by East Germany's government-run news agency, ADM. agency, ADN.

Whether it has a military-political future depends on the meeting of the dis-

insurance in other member states would be able apply to this business their own "tech-nical reserves." The reserves cover the amount of business

that can be done with a given amount of capital, while "large risk" refers to large companies as opposed to individuals. Britain wants the system

operational as soon as possible. West Germany and Belgium would rather wait until the Commission's directive for liberalising all non-life insurance buiness has come into effect. This might net be until the middle of 1994 or later.

7." He did not specify where the meeting would be held. The East German minister added that it

The East German minister added that it would be necessary to hold the Warsaw Pact together as a "political alliance at least for an interim period."

Mr Eppelmann said he told his Soviet hosts during a recent visit to Moscow that a "German republic" could not belong to the Warsaw Pact.

"The Hungarians have cloudled that

"The Hungarians have signalled that they want to leave the [Warsaw] pact, the Czechs want to let it stagnate, and with

West German Foreign Minister Hans-Dictrich Genscher has offered to let Soviet troops stay in what is now East Germany for a limited time during the unification Wider aim in 'super-gun' probe

By John Wyles in Rome

THE state prosecutor investigating the possible involvement of Italian companies in manufacturing parts for brag's "supergun" said yester-day he might inquire into the role of foreign technicians associated with the placing of

contracts in Italy.

The international dimensions to the affair would have stons to the anary would have to be investigated and this could inchole "foreign citizens of various nationalities," said Mr Adriano Rosellini.

He revealed that one Italian national had been questioned on suspicion of arms traffick-

ing. He declined to reveal his identity but other sources say he is not a member of the state-owned. Societa...delle Fucine steelworks in Terni, where most of the seized parts

were made. Mr Rosellini said all of the 90 tonnes of steel products sequestered at the end of last week at the port of Naples and in Brescia would be brought back to Terni for a technical

Terni, where Mr Rosellini is based as a prosecutor, has been identified as the main source of

tion is thought to have been the breech for a giant gun which Baghdad has allegedly been assembling. Societa delle Fucine is a special steels forging subsidiary of liva, the lialian state steel company.

A spokesman for liva said yesterday that the company had received one order for 15 pieces from the Iraqi State Electrical Industries and a second for 20 pieces from the lindustry Ministry. A batch of 10 pieces for the first order had been delivered; it was the consignment of 10 for the second order which had been seized.

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THE DESECRATION of a Jewish cemetery in southern France has forced the country's centre-right opposition to consider lifting its boycott of a government plan for all-party talks on racism.

The attack, by unknown vandals against 34 graves at Carpentras, one of France's oldest Jewish cemeteries, was followed on Sunday night by another, against 32 tombs in the northern Paris suburb of Clichy-sous-Bols. This has given an enormous push to the

erance and embarrassed the in a silent protest march, extreme rightwing National organised by the Jewish com-front at a time when it was beginning to build bridges with the respectable right.

France's main political par-ties were showing signs yester-day of being shocked into try-ing to sink the differences which have so far prevented a solution to the country's racial problems. No one is yet sure whether the attacks are an isolated barbarity or a symptom of a wide problem.

All the main parties except the Front were due to take part

yesterday evening, in the wake of similar parades through six hig cities over the weekend. Some Gaullist leaders and most of the rest of the moderate right said they would co-operate with Mr Michel Rocard, the Socialist Prime Minister, in a private conference on

racism tomorrow. This follows last week's adoption of an anti-racist law, proposed by the Communists and supported by the Socialist

younger generation, the party's support is neither solid nor large enough to beat the Front.

The Front is not only the largest of the parties — it has a million members — but it has a machine and organisation at its disposal.

its disposal.

The machine is the media.

which the Front still monopol-

ise in spite of the sacking in January of Mr Aurel Drago

administration, but opposed by the Gaullists for failing to tackle the source of the prob-lem as well as stifling press freedom. It ensures that those inciting racial hatred can be fined, imprisoned or refused political and public service jobs. It is the latest in a series of barely successful anti-racist

While anti-Semitism is latent in the extreme right, the big source of any wider racial discontent comes from the growing number of immigrants from southern Europe and for-

position throughout large parts of the country.

Thus, in the early days of the Revolution, because it was the only power in the country, it won immediate support from the peasantry by giving them the right to own, but not to sell, their plots of land.

It won over the miners by giving them pay increases and

mer North African colonies. Despite the fact that new legal immigration was stopped in 1974, the Interior Ministry estimates that the immigrant population has doubled to 4.5m over the past 15 years, of which Portuguese, Moroccans and Algerians form the biggest part. This source of cheap labour has provoked resentment from a working class

already suffering from stub-bornly high unemployment. This, plus infighting within has contributed to the popular-

the workers by promises that

economic reforms would not entail unemployment or the "sell-out of Romania to foreign

capital". It captured the hearts, and votes, of the 25m gypsies by returning to them their gold coins which the Ceausescu

regime had confiscated. In

sbort, the Front are the only

renounced the communist sys-tem, an omission which fuels

sections of the population. Instead, it repeats the phrase that "communism is dead".

Yet the Front has never

real operators

ity of Mr Jean Marie Le Pen. Front leader, who attracts around 13 per cent of the vote in national opinion polls and much more than that in some districts. Several senior politicians yesterday blamed him for contributing to the latest prob-lem, an allegation dismissed by Mr Le Pen as an attempt to discredit him. He nevertheless accepted the Government's offer of an armed guard, after an unknown gunman fired five shots at the home of a local Front politician in southern

Nor has it purged the gargan-tuan bureaucracy and the min-

4m former Communist Party members," asks Mr Adrian

Nastase, the Front's spokes-man. "Some of these people are talented. We need them."

Talent will be a premium whoever wins the elections.

The country's shattered politi-

cal, economic and social insti-

tutions have to be rebuilt

against a background of a moral climate contaminated by decades of corruption and

"How can you purge nearly

# EC prescribes for ailing E Europe

By David Buchan in Brussels

THE EUROPEAN Commission yesterday set out some of its free-market prescriptions for east Europe's ailing econo-mies, including the sequence in which the various capitalist potions should be taken

potions should be taken. Mr Henning Christophersen, the Commissioner responsible for macro-economic forecasting, predicted that if eastern Europe followed Brussels' advice, the region could move after 1992-93 from zero or negative growth to an annual rate of expansion of 5-6 per cent.
The six east European members of Comecon plus Yngo-slavia would need to borrow some Ecu15bn-Ecu20bn

(£11.11bn-£14.82bn) to cover their short-term financial needs for 1990-92, Mr Christo-phersen said. But the international capital markets were capable of providing the needed "private, profitable for-eign investment" in eastern Europe, and he saw no need to increase the Ecu2.4bn which Brussels proposes in EC aid

over the same period. The Commission, for whom The Commission, for whom eastern Europe was unknown territory only a year ago, is still groping for answers to the economic policy questions posed by east Europeans. Requests for help keep coming in, and Mr Christophersen said he would soon be sending missions to Czechoslovakia and

Drawing lessons from its newly published report on Poland and Hungary, the Com-mission stresses the importance of taking a series of quick, logical steps to create market economies in eastern Europe. These would be:

Privatisation should not

take place before the "tate-lage" system, under which ministries and companies arrange deals on taxes and subsidies, is dismantled. Reform must be credible, and pursued systematically, thoroughly and not too slowly, if the behaviour of people and

companies is to change. Inflation must be stopped, as in Poland, before structural

reform is started. Mr Christophersen said the early plans of Poland, Czecho-slovakia and Hungary for full currency convertibility had lessened these countries inter-est in creating a new manual

est in creating a payments union, topped up with hard currency by the EC.

Nevertheless, a payments union designed to help other east European countries and the Soviet Union settle their trade accounts foodly by near trade accounts "could be use-ful, at least for a transition", said the Commissioner, and the idea was still being studied in Brussels.

# In Romania communism is dead, but not the communists

The spectre of past involvement stalks an election marked by deep suspicion, writes Judy Dempsey

By THE end of this week, the strains of the song Don't Worry, Be Happyt-which has repeatedly echoed across University Square in the centre of Bucharest, will no

By law, all demonstrations and gatherings are banned two days before the elections which take place on Sunday. For the first time in 45 years, Roma-nians will be able to vote freely

for a constituent assembly.

The song, which is peppered
with sharp and witty criticism
of Mr Ion Illescu, Romania's
interim President, has become

EASTERN EUROPE



Romania

a rallying call for the hundreds of people who have camped out in the square for three weeks. The people, many from Timi-soars, the cradle of the Revolu-tion, want one thing: the implementation of article 8 of the Timisoara Declaration. Drawn up on March II by a group of civic and intellectuals from Timisoara, the declara-tion, insists that the electoral

law should "forbid former Communist activist and Securitate (secret police) officers from running as candidates on any electoral list during the first three consecutive legislatines...and that the electoral law include a special paragraph forbidding former Communist activists from standing as a provider to the position. as candidates for the position of President of Romania.

that 'their (the Communists') presence in the country's politpresence in the country's polit-ical life is the main source of the tension and suspicions that currently plague Romanian

society". If implemented, this article would exclude Mr lliescu, a former central committee secretary during the 1970s, from standing in the election on Sunday as the presidential can-

didate for the Front for National Salvátion.

So far, Mr Hiescu, who last month called the demonstrators hoeligans, has refused to meet their demands. He and the Front, which was catapulted into power after the overthrow of the regime of former dictator Nicolae

sition to private ownership in agriculture, services, and crafts.

Altibugh its power base rests among the liberal intelligents and sections of the syounger generation, the party's structures of the enterprises and the bureaucracy which has enabled it to consolidate its position throughout large parts of the country.

Thus in the sariv days of the country in the sariv days of the country. mer dictator Nicolae Ceausescu on December 23, argue that the electoral law already excludes former Com-munist activists from standing

in elections.

That law states that "persons who abused their political, judicial or administrative positions, who disregarded the fundamental human rights, or who organised or were instrumental in repression as part of the former Securitate, former police or militia forces are not eligible (to stand). Mr Riescu claims to have been a dissident rather than a Communist

Many Romanians are aceptical. They feel that the law is not watertight enough to prevent the re-emergence of Communist influence under the guise of the Front.

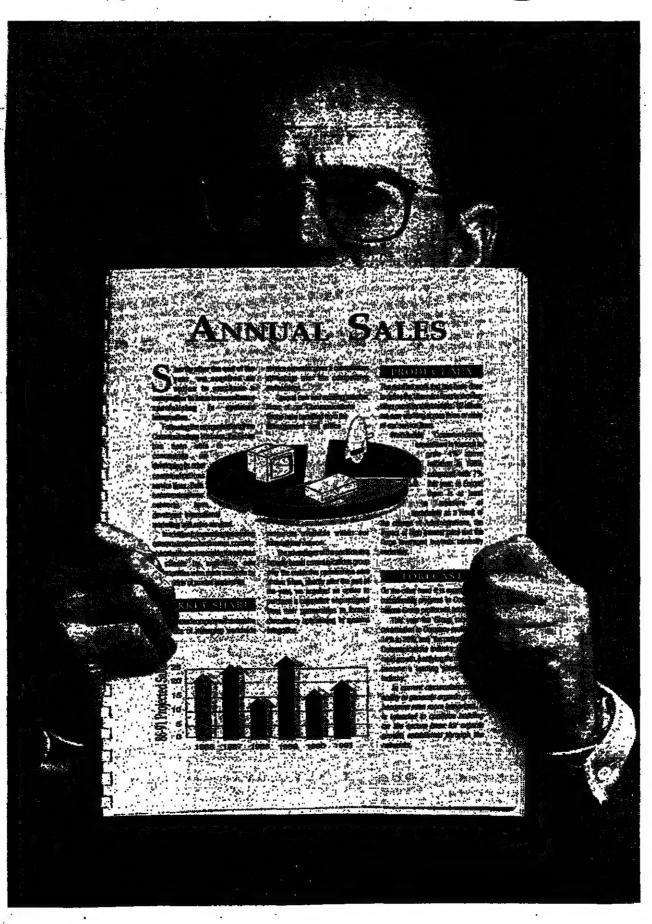
That is the main issue in this bitter election campaign which is fuelled by intimidation and allegations of violence which, say the two main oppo-sition parties, is sanctioned by

The National Peasants Party whose president is Mr Corneliu Coposu, and whose presiden-tial candidate is the 73-year-old dapper Mr Ion Rathu, an émigré and millionaire, continually push home its loathing of comism to the electorate.

The strength of the 500,000-strong Peasants Party rests in the claim that this party, founded in 1869, and banned in-1947, is one of the few untainted by communist rule. In addition, they promise to return land to those who wish to farm it and to usher in a policy of privatisation and a

market economy.
Yet the message is not getting through to peasants who remain suspicious of the intertal and the old feudal Boyar or aristocracy ruled the land, a point which Front candidates are adept at communicating.
The National Liberal Party, also founded in 1869 and han-ned in 1947, led by Mr Radu Campeanu, its presidential candidate, is less vocal in its anti-communist rhetoric. It also endorses privatisation, including an accelerated tran-

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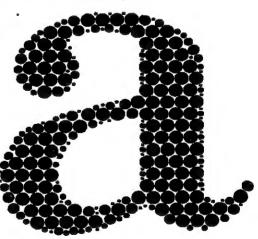
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#### **Experts demand closure** of E German N-plant

EAST GERMANY'S main nuclear power station is so dangerous it should be closed immediately to avoid a Chemo-byl-like disaster, according to a group of environmental experts, Reuter reports from Fact Berlin

A report by seven non-gov-ernment experts, from both East and West Germany, con-demned security systems and other equipment in four reactor blocks at Greifswald power plant near the Baltic coast as totally inadequate.

"If the main circulation sys-tem failed there would be a similar event to Chernobyl,"

similar event to chembyl, Mr Norbert Meyer, a Greif-swald physicist, said at a brief-ing to launch the report. "The danger of a cata-strophic failing of the reactor pressure vessel cannot be averted through re-equipping or technical modifications, precautions at Greifswald and warned that pipes could burst at any moment. It also said East Germany's former Com-munist authorities had long known about the poor safety

All further discussion about the plant should aim at shutting down its four existing reactors, the report said. Two have already been temporarily switched off, but four other blocks are still being built.

Round Table of government officials and opposition activists ordered the report in January after disclosures of poor conditions at Greifswald.

of both East and West Germany are working on a sepa-rate joint study of the plant. The April 1986 disaster at the Chernobyl power station in the Soviet Union caused wide

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the 100-page document said.
It criticised the lack of fire

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#### **OVERSEAS NEWS**

# to Soviet Jewish influx attacked

By Hugh Carnegy in Jerusalem

ISRAEL has reacted too slowly to the influx of Soviet Jews and lacks clear policies on how to cope with their absorption, the state comptroller said in a critical annual report published yesterday.

With responsibility for absorbing the biggest wave of immigration for years diffused between a number of ministries, which frequently squabble over resources, the comptroller, Ms Miriam Ben-Porat, and the controller of the cortability part of the called for the establishment of a central authority to take command of a situation "cry-

ing out" for action. She warned of serious conseshe warned of serious consequences for the country if it failed to cope with the influx, which began last year and is now set to reach 150,000 this year. More than 30,000 Soviet Jews arrived in the first four reachs, companying the 13,000 months, compared with 13,000 in the whole of 1989.

Israel sees the Soviet inflow as an historic boost to its strength, mirrored by Arab fears that it poses a serious demographic and strategic threat to them. But much attention is now focused on the

immediate difficulties it will pose for a country of only 4.5m people recently suffering eco-

nomic stagnation. The comptroller's report said that there was no clear policy for providing jobs for the Soviet immigrants at a time when unemployment is already high. It also sounded the alarm over delays in building new

A recent report by Bank Hapoalim estimated that averrapeanin estimated that average annual new housing starts of 20,000 units needed to increase by 2% times. It predicted a shortage by the second half of this year without further investment.

The Government, which reports only 8,000 new housing starts so far this year, plans accelerated construction of 45,000 new flats and is considering a range of incentives and regulatory changes to help.

The appeal began in Jerusalem yesterday of Mr John Demjanjuk, a Ukrainian convicted in April 1988 of being a gas chamber operator at the Treblinka Nazi concentration camp and sentenced to death.

#### **NEWS IN BRIEF**

#### Mandela at White House

Mr Nelson Mandela, deputy president of the African National Congress, recently freed from 27 years in prison, will meet President George Bush at the White House next month, organisers announced yesterday, AP reports from Washington.

Mr Mandela will address a joint session of Congress—the highest honour lawmakers can pay visiting dignitaries—and hold meetings with congressional leaders. He will also be fêted with a ticker-tape parade in New York City and visit four other US cities, they said. The ANC in New York said Mandela would arrive in the US on June 20.

#### US and Iran sign claims deal

The US and Iran have signed a \$105m agreement to settle some 2,750 US financial claims arising from the Iranian revolution.

2,750 US mancial claims arising from the framian revolution, Reuter reports from The Hague.

The settlement clears away a host of small claims cases before the Iran-US Claims Tribunal in The Hague and opens the way for talks on Iran's huge claim for \$11bn over US military contracts broken after the 1979 revolution. Both Iran and the US have denied that the agreement, reached after months of negotiation, is linked to Iranian help in the release of US hostages.

#### Mystery trip by Chinese official

Xu Jistun, 74-year-old former head of the Xinhua News Agency in Hong Kong, China's de facto embassy, is in Los Angeles with five of his 10 children, Peter Ellingsen writes from Peking. He flew to the US early this month without permission after obtaining a visa in Hong Kong. Zhou Nan, the hardline official who took over from him, said "Xu does not have any problem", but his trip has upset Paking and caused tight controls in foreign embassies.

#### Iraq aims for Beirut peace

The Iraqi Government is attempting to mediate in the conflict between between Christian Lebanese Gen Michel Acun and Mr Samir Geagea, the Phalangist militia leader, Lara Marlowe reports from Beirat

The conflict, which started on January 31, has led to the deaths of more than 1,000 people. Eleven more died and 50 were wounded in a flare-up at the weekend.

According to the Beirut newspaper An Nahar, President Saddam Hussein of Iraq wants to resolve the inter-Christian conflict before the special Arab League Summit which is scheduled to be

before the special Arab League Summit which is scheduled to be held on 28 May in Baghdad.

Gen Aoun sent his relative Brig Gen Fouad Aoun to Baghdad as his representative, while Samir Geagea dispatched Mr Pleare Rizk, the chief of the Phalange's "foreign intelligence service."

The two men are reported to have met Mr Tariq Aziz, the Iraqi Foreign Minister.

#### Ivory Coast protest by conscripts

Hundreds of disgruntled army conscripts staged an unprecedented pay protest in the Ivory Coast on Monday but agreed to return to their barracks after promises from President Felix Houphouet-Boigny, Reuter reports from Abidian.

Nervous soldiers, wearing khaki caps and green-olive fatigues, took up positions outside the state radio building in the centre of the former central Abidian tust before dear level residence of

the former capital Abidjan just before dawn, local residents said.

# Israeli reaction | Australian indicators suggest a prolonged slowdown

FURTHER evidence emerged yesterday that the Australian economy is heading for a prolonged slow-

down, if not a recession.

The index of leading indicators published by Westpac Bank and the Melbourne institute of Applied Economic and Social Research fell by 1.4 points in March to 125.6, and is now seven points, or 5.3 per cent, below its peak in May last year.

The leading index is regarded as a reliable indicator of economic activity because it has correctly forecast every region of the Australia coop.

major change in the Australian econ-ony since the 1950s. Mr Bob Graham, Westpac's chief

economist, said there was no doubt that the economy had eased, with cer-tain sectors being hit severely. "The

# subdued performance of the leading index for almost a year now suggests [that] whatever the depth of the pres-

By Kevin Brown in Sydney

ent slowdown, it will continue for the rest of the year, at least," he said.

Dr Ernst Boehm, of the Melbourne institute, said it was too early to say whether the slowdown would develop into a severe recession such as that experienced in Australia in 1982-83.

Dr Boehm said the resilience of some indicators, such as building approvals and demand for new tele-phones, indicated that a major reces-sion may not be imminent. Bowever, many analysts continue

to suggest that Australia will prove to ator John Button, the Industry Minisbe in technical recession - defined as ter and government leader in the Sentwo successive quarters of negative growth - when figures for the March quarter are released at the end of this

Mr Paul Keating, the Treasurer, has admitted that the March quarter could show a contraction in gross domestic product, but has also suggested that negative growth of 0.2 per cent recorded in the December figure could be revised.

Mr. Keating was at the centre of a public row about Australia's economic prospects yesterday as political tensions generated by the slowdown triggered disagreement over policy options among Cabinet ministers.

The row followed comments by San-The row followed comments by Sen-

ter and government leader in the Sen-ate, casting doubt on the ability of the recently re-elected Labor Government to continue to deliver rising living

Senator Button said it was not "fair or appropriate" for the Government to promise rising living standards when Australia was "in the midst of an economic downturn of some severity support for criticism of government policies by Senator Peter Walsh, a former Finance Minister, who resigned from the Cabinet after the March general election because he doubted ministers had the will to confront Austra-

a's economic problems. Senator Walsh has repeatedly

suggested that Australia's problems are more deep-seated than has been admitted by Mr Keating.

Mr Keating defended his policies at a press conference during which he urged other ministers to stop wasting Cabinet time by commenting on the economy. He also took the opportunity to criticise Senator Button's performance as Industry Minister.

Mr Bob Hawke, the Prime Minister, also rebuked Senator Button during a

Mr Bob hawke, the rime minister, also rebuked Senator Button during a parliamentary debate on a censure motion launched by the opposition to take advantage of Cabinet disunity on the economy. Mr Hawke, who survived the censure motion thanks to his parliamentary parliarity came his his parliamentary majority, gave his full backing to Mr Keating in an attempt to restore Cabinet discipline.

#### Jordan halts march on West Bank

By Lamba Andoni in the Jordan

JORDANIAN security forces dispersed thousands of pro-Palestinian demonstrators with tear gas yesterday to stop them trying to cross the Jordan River into the Israeli-occupied West Bank.

The unprecedended march in support of the 30-month-old Palestinian uprising against Israeli occupation ended in violence when demonstrators defied calls by the organisers to stay clear of the Allenby Bridge known in Lordan as the Allenby Bridge, known in Jordan as the King Hussein Bridge. Waving Jordanian and Palestinian

flags, demonstrators wearing Palestin-ian black and white checkered head ian black and white checkered head dresses stood on the sandy hills over-looking Israeli border points and shouted pro-Palestinian slogans.

"Long live the PLO (Palestine Liberation Organisation)," they cried, chanting revolutionary songs.

Security officials said more than 50 participants had been admitted briefly to hospital.

to hospital. Leaders of Jordan's influential profes-

sional associations, which organised the march, regretted that emotions had got out of hand, but said they hoped the demonstration would step up pressure on Arab governments to fight against on Arab governments to ngar against Soviet Jewish immigration to Israel.

Arabs are angered by the arrival of thousands of Soviet Jews in Israel, and Palestimians in particular fear they are being squeezed out of Jerusalem by the new arrivals. An Arab summit on the issue is to be held in Baghdad in two

"Soviet Jewish immigration equals Palestinian transfer", and "The US is



Marchers carry an injured youth who inhaled tear-gas after protesters were beaten back from attempts to cross the Jordan

the first enemy of the Arab Nation"
were among the slogues of the march.
However, chants by young people
supporting armed struggle and condemning "Arab repression and silence"
reflected a militant mod and a growing
trustration with the slow race of the frustration with the slow pace of the Middle East "peace process". Many Jor-

danians are of Palestinian origin. The march was also intended to underline what Palestinians see as their right to return to their previous homes in Israel and the territories. Jordanians here have strong suspicions that Israeli right-wing leaders want to annex the territories, settle Soviet Jews there and

Today it is very clear to the Arabs that they are witnessing the final stages of Israel's scheme to make its occupation of the West Bank irrevocable" said Mr Adnan Abu Odeh, King Hussein's political adviser.

# Kuwait arrests

pro-democracy

activists ... By Victor Mallet

arrested two pro-democracy activists campaigning for the restoration of parliament, although 10 others detained last week have been released on ball.

The two held on Sunday night are Mr Ahmed al-Rabei, an Arab nationalist university an Arab nationalist university lecturer and former MP, and Mr Ali Buarki, a businesaman. It was not immediately clear what charges they would face, but the Government has accused previous detainess of arranging illegal meetings and distributing leaflets.

Kuwait's ruling al-Sabah family it meeting aband with

family is pressing ahead with plans for elections to an interim National Council on June 10, but opposition politi-cians say the new council is a toothless body to supplant the National Assembly dissolved by Sheikh Jaher al-Ahmed al-Sabah, the Emir, in 1986.

#### Violence in **Philippines** as US base talks open

By Greg Hutchinson in Manila

RIOT POLICE battled hundreds of left-wing demonstrators protesting against the US military presence in the Philippines yesterday as the two countries opened talks on the future of America's largest overseas bases.

The US called for a new partnership that would allow American military bases to remain in the country into the

American minitary bases to remain in the country into the next century. But Mr Raul Manglapus, Philippine Foreign Secretary, told Mr Richard Armitage, special US negotia-tor, that Washington must first compensate for money unpaid

under a current accord.

Police used tear gas and smoke grenades to disperse hundreds of leftwing demonstrators protesting in Manila against the bases. Witnesses said several peo-

ple were injured, including four policemen, and about 80 demonstrators were arrested in clashes around the tightly guarded Central Bank building where the talks were held.

The demonstrators included Roman Catholic nuns who car-

ried signs reading "Sovereignty not for sale" and "US bases, cancer of society."

The negotiations will determine whether the United States retains Clark Air Base, the Subic Bay naval base and four smaller installations after their lease express on Septem.

their lease expires on Septem-ber 16 1991. President Corazon Aquino has refused to say whether she would support an extension. Last December, US jets from

tary revolt that nearly toppled Mrs Aquino's administration. During the opening session. Mr Armitage said the United States would remain a Pacific power regardless of the out-come of the talks, expected to last until the end of the year. Mr Armitage, a former Assistant Secretary of Defence, urged the Philippine Government to decide whether the

installations served their defence interests "If we do not truly believe that there exists compelling, mutual interest between the

financial commitments to the

# UN warns of global population surge

THE WORLD'S population will virtually triple to 14bn over the next century, causing critical damage to the environment, if nothing is done to check its current record rate of growth, a United Nations report

warned yesterday.

Projections in the middle of the 1980s that world population would eventually stabilise at just over 10bn have turned out to be over-optimistic, the UN Fund for Population Activities (Unfpa) says in "The State of the World Population". The slowdown in fertility

The slowdown in fertility rates has been slower than expected. Population is now growing particularly rapidly in Africa and southern Asia, poor regions least equipped to cope, Unipa said.

Its report is likely to reinforce the emphasis being placed on population growth by development policy-makers. It comes after the same issue was highlighted by the Organisation for Economic Co-operation and Development in last

tion and Development in last

Kashmir today it is in the terrified faces of its people who bring a visitor their tale of

humiliation and brutality dur-ing four months of virtual mili-

gency movement.

There are no longer the massive pro-independence demonstrations of earlier this year

- fired by the enthusiasm of crowds who seemed to think

that with a another push the Indian Government would yield to their demands. "We

are a people in the grip of fear," said one young Kashmiri

The Jammu and Kashmir

Liberation Front (JKLF), the

main insurgency movement, has taken a pounding from the

security forces. "We have bro-

ken their organisation and we know all there is to know

about them." says a senior official. Foreign correspondents,

banned from Kashmir in Janu-

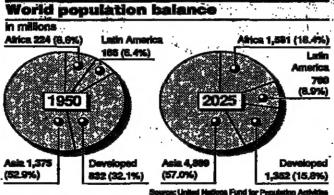
ary, are quietly being let back. But the cost has been

immense and may have brought India only a brief

respite. If India can by force hold Kashmir within the

union, Kashmiris now see themselves as united in their hostility to India and living

The massive display of



winter's annual Development Assistance Committee report. Already the world popula-tion has reached 5.55m. It is growing faster than ever before at increments of 90m to 100m a

year, Unipa says.

"Fast population growth in poor countries has begun to make permanent changes into the environment. During the resources; massive deforesta-tion; and the build-up of greenhouse gases."
Reducing population growth, especially in countries with the

1990s these changes will reach critical levels. They include continued urban growth; deg-radation of land and water

"a crucial part of any strategy

In what is normally the height

#### very poor countries could curb their rate of population growth if they had equitable distribu-tion of such services, she told a This was a factor which the International Monetary Fund and World Bank needed to take into account when designing

adjustment programmes. In many developing regions, but particularly Africa, women but particularly Africa, women were heavily engaged in food production as well as its preparation and fuel gathering, the report says. This has encouraged them to have additional children to lighten the load. Widening their options and hastening their equality would help secure lower population

of sustainable development,"

the report says.

According to Ms Nafis Sadik,
Union Executive Director

wrote the report, this will mean a shift from purely eco-nomic indicators for develop-

ment towards social priorities. The record shows that even

Philippines and the United States, then we have precious little to discuss other than the terms of an amicable separa-tion," he said.

Mr Manglapus said the US
had often fallen short of its

#### Military crushes Kashmir faith in secularism David Housego returns to an occupied state united in its hostility towards India

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under an army of occupation.
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fight," says a lawyer. "But they
do not want to turn back. So
they have to continue."
India's democratic traditions

have suffered the damage that comes from using force to cow a segment of its own people - an operation that at the same time brings the armed forces into disrepute. Secularism - the belief that different creeds can live together and which has been the cornerstone of India's identity as a nation - has been lost from sight with the departure of the Hindu minor-ity who dominated hospitals, education, banks, insur-ance and the distribution of pharmaceuticals. Kash-

miri Moslems increasingly feel that their religion itself

industry has come to a halt.

has become an offence.

of the tourist season - with the snow-lined ridges and intense green of the valley drawing indians in their mildrawing indians in their mil-lions up from the suffocating heat of the plains – the hotels and houseboats are empty. The endless rows of handicraft shops remain closed. The traumatised face of Bab-boo Intiaz Ahmad, 19, a young man of almost film-star looks with a great hock of black hair, recounts how, during interrogation by para-military forces, he was suspended from a rotating celling fan.

In a back yard in the Khwaja

Bazar district of old Srinagar, he displayed four cigarette burns on his arms and legs and deep bruising on his back from being trodden on.

The painful stammer of a 50-year-old villager, Ghulam Mah-dadar, released after 18 days of interrogation, told at his vil-lage of Fatahpur, near Bara-mulla, how he had been hung from a tree and beaten with clubs. In the same crowded room others showed the marks of chains on their legs. At the Idgah in Srina-

gar - the open field where Moslems celebrate the Eid festival – on one side a rough martyrs grave has been dug for militants and others who have recently been killed. A young man shouts in a characteristic mixture of bravado and desperation. "Everyone here is prepared to die. We have only two choices to die or be liberated."

An old man sobs in Court

Lane in Srinagar. He lost his two sons in cross-fire the day before.

Among the most distraught are the doctors. At the SMSH hospital, doctors say that most of the wounded brought in have had to be treated for head, neck and chest injuries head, neck and chest injuries

- suggesting that the para-military forces have fired high.

At the Lalla Ded maternity
hospital - the largest in Kashmir - Dr Mir Nazir Ahmed,
the Chief Medical Superintendant, describes the last five months as a nightmare. He says that he has had to man-

age with only 20 per cent of his skilled staff. "Most of the staff is Hindu," he said. "They have left, packed up and gone with-out even telling me." Medicines have been in short supply, blood banks have run out of stock because of the continuing curiew and most of the complicated cases have been referred to the hospital because of the loss of staff at smaller clinics.

One of the deepest long-term scars in the Valley could well be the collapse of the former good relations between Moslems and Hindus - often seen as a model for the rest of India. Moslems account for 90 per cent of the 4m population in

the Valley.

Many left in panic after some
Hindus had been killed by Mos-lem militants. But others also med to have left with the tacit support of the authorities - nervous that incidents in Kashmir could spark off com-

munal riots elsewhere in India and provoke demands from the radical Hindu BJP party for the Government to take an even tougher line in Kashmir. It is still unclear how many Kashmiri. Moslems have been arrested during recent months. Probably several thousand have been taken into custody for interrogation - with most released soon after. Mr Jagmohan, the Governor, says that less than 500 are being detained for longer peri-ods - against unofficial esti-

mates of more than 1,000. Over the past week, the cur-few has been lifted in Srinagar during most of the day. Offithe numbers of regular troops and paramilitary forces that have been deployed.

In further efforts to show that normal conditions have

returned, the administration moved from Jammu (the winter capital) to Srinagar last week – though militants successfully marked the occasion by getting all shops to close. Primary schools are officially open, though at St Joseph's near Baramulia only 10 per cent of the children have showed up. High schools and universities are due to open this week - but several high schools are still being used as barracks and staff are reduced by the departure of the Kash-

miri Hindus. In many ways however, these improvements remain-illusory. Hatred of India and Indian troops has become

almost universal in the Valley - providing a fertile ground for continuing insurgency. "The whole Valley is in revolt," says a senior Kashmir

Militants cannot operate without the full support of the people, and they have that. They still enjoy enormous sympathy – and probably more amongst the Kashmir police and administration.

The government claims that many sophisticated weapons

are coming across the border - AK47s, rocket-launchers, anti-tank weapons and anti-personnel mines. Fears of escalation lie behind the strong recent Indian warnings of the dangers of war.

In political terms the Indian Government is operating with its hands tied behind its back because it feels unable to offer further concessions over autonomy to help meet Kashmiri aspirations. Much of Prime Minister Mr V.P. Singh's constituency in Delhi - including the BJP on which he counts for

support in perliament – would like to see Kashmir brought under a tighter leash. Kashmiri Moslems feel that they are now so distrusted in the rest of India that they have no future there.

"For a long time to come," says one lawyer, "even if nothing comes out of this (movement for independence), it is going to be hard for Kashmiris to live in India. That is why

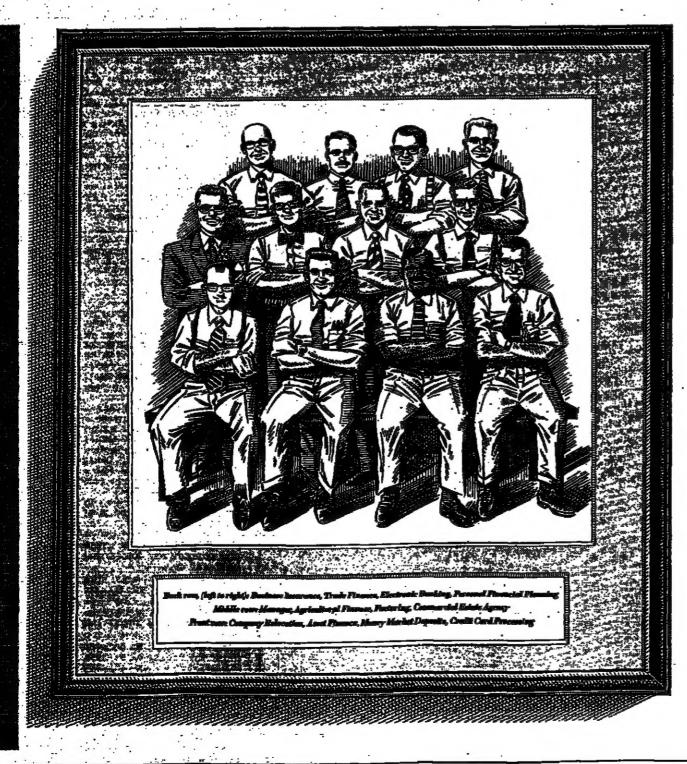


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tions for changes to anti-dump-ing laws and US access to foreign markets. The recommendations of the Computer Systems Policy Project (CSPP) seem designed to exert a moderating influence on US actions to resolve the continuing US-Japanese semi-conductor trade dispute, as

Members include the chief executives of Apple Computer, Compaq Computer, Control Data, Cray Research, Digital Equipment, Hewlett-Packard, NCR, Sun Microsystems, Tan-dem Computers, Unisys, and

"This is the first time the computer industry has taken a unified approach on trade issues," said Mr Scott McNealy, chief executive of Sun Microsystems. "We have worked out a consensus. Now you are

going to hear us all singing the same song."

"Together, we will be more will be. The CSFP proposes a a

influential, our opinions will carry more weight," added Mr John Young, chief executive of Hewlett-Packard and chairman

The 1986 US-Japanese semi-conductor trade agreement served as "the wake-up call" to the US computer industry, said Mr Kenneth Kay, executive The five-year pact is due to expire next year, and as major buyers of semiconductor

devices, the computer industry

eign markets that "departs sharply from static approaches in which market-access goal is established at the outset as a fixed numerical target," as was the case in the US-Japan semi-conductor trade agreement. "The most important step the US can take to improve market access worldwide is to

semiconductor trade friction will be The CSPP proposes a new approach to dealing with disputes over US access to for-

strengthen the Gatt," the industry group stated. While bilateral initiatives were essenexecutives want to have a greater say in what the next tial, "the emphasis should be on results, not expectations.

The CSPP proposals also represent an attempt to influence the US position on dumping and market access in the Gatt negotiations. "We are firm in our opposition to managed trade," the group stressed.

trade," the group stressed.
Anti-dumping laws should be
modified, "expressly to permit
pricing below average unit
costs during the introductory
period of new products".

While details of the CSPP
proposal differ significantly
from stances taken by other US
industry groups, the Semiconindustry groups, the Semiconductor Industry Association yesterday welcomed the CSPP

each product, staying constant in the transition period. But one supplier could not account

#### Shell links with China for \$2.5bn " oil refinery

SHELL has linked with five mainland China corporations in a plan for a \$2.5bn (£1.4bn) \$3bn oil refinery and

(£1.4m). Sibn oil refinery and petrochemical plant at Huizhon, Gnangdong, John Elliott reports from Peking.
Shell expects a substantial stake, believed to be about 50 per cent. It would be China's first foreign joint venture for a new oil refinery and Shell's first major investment in China since 1962.
An application has been lodged with Peking's State Planning Commission to carry out a feasibility study, which could start by the end of this year. A go-ahead would be significant, because it would put the project into China's five-year economic plan. vear economic plan.

Li Peng, China's premier, is believed to have said he approved of the application going to the planning commission. This means the project has some support in central government. Shell's partners are China National Offshore Oil Corporation, China National Petrochemical Corpo-ration, China National Petroleum Corporation, China Mer-chants, and the Guangdong provincial authority. The plant would process 5m tonnes of crude oil a year.

## Moscow 'working on problem of late import payments'

MOSCOW is working to put right the problem of tardy pay-ment for goods which has given rise to complaints from western exporters, Lord Tref-garne, UK Trade Minister, said yesterday, Reuter reports from London.

UK ministers had raised complaints from about 12 com-panies with the Soviet authorities and these were being resolved. "I'm glad to say the response has been encouragresponse has been encouraging," he added.

UK officials said the problem

seemed largely administrative, as the central Soviet authorities had devolved responsibility for foreign trade to individual foreign trade organisations and compa

did appear keen to delay pay-ments, but this was not Soviet government policy. The authorities were taking steps

to restore the country's credit-rating by ensuring payments were made, they said.

These administrative changes and parallel reorgani-sation of the government structure were causing uncertainty and confusion among western businessmen, Lord Trefgame

He dismissed a Japanese estimate that Soviet payments to Japanese companies, now more than three months overdue, totalled over \$500m (£300m). The amounts involved were relatively small, but he declined to quantify

#### Venezuela investment up

VENEZUELA has reported that direct, registered foreign investment stood at an esti-mated \$2.4bn (£1.4bn) at the mated \$2.4bn (£1.4bn) at the end of 1985 - a rise of 14 per cent, or \$335m, over the previous year, Joe Mann reports from Caracas.

Most new increases in foreign investment in Venezuela over the past decade reflected reinvestment of retained earn-

ings rather than inflows of fresh capital. Foreign execu-tives in Caracas believe that even though international companies brought in some fresh capital last year, most of the 1989 rise was still a product of reinvestments or debt-equity

swaps. Earlier this year, Caracas decreed sweeping liberalisation of foreign investment rules.

# Washington aims for compromise on textile trade

THE US yesterday sought a compromise on liberalisation of world trade in textiles and clothing in the Uruguay Round talks. This comes three days after Mrs Carla Hills, US Trade Representative, warned US manufacturers that insisting on continued protection could imperil outcome of the round, William Dullforce reports from

Geneva. In a key modification of the US approach, Mr Ronald Sorini, chief US textiles negotiator, proposed that exporting countries at present subject to import quotas under the Multi-Fibre Arrangement (MFA) be guaranteed mini-

mum quotas during the phas-ing-out of the MFA. The quotas would be tradeable.

The paper Mr Sorini tabled

with the textiles negotiating group limited the transition time to 10 years, and indicated it could start on August 1, 1991, when the current MFA expires. The US had earlier favoured a

longer transition period, starting January 2, 1992.
The latest US proposal seeks a compromise between its call for a switch to a system of global quotas at the start of the transition period, and most other countries' wish to dismantle gradually the present MFA bilateral quotas.

THE Council of the General Agreement on Tariffs and Trade is THE Council of the General Agreement on Tarins and Trade is expected to to approve the Soviet Union's application for observer status in the world trade organisation tomorrow, William Dullforce reports. A definition by the council chairman of what observer status entails should meet US reservations while Japan, which had asked for more time to consider the matter, is understood to be satisfied.

Textile and farm trade reforms were highlighted last month by Mr Arthur Dunkel, Gatt director-general, before trade ministers met informally

in Mexico, as two key areas for breaking deadlocks.

Mr Sorini said the changes in the US position on textiles showed it wanted to be flexible. But the US has not

dropped its basic stance that a system of gradually expanding global product quotas, for which suppliers would com-pete, is the best mechanism for switching from the MFA to full integration of textiles and clothing in Gatt. Under the change, exporters

now subject to MFA quotas would automatically have a

for more than 15 per cent of the total. Exporting countries would be able to buy and sell That part of the total quota

That part of the total quota for any product not covered by guarantees would form a global basket open to competition from all suppliers, including those holding individual country guarantees. The global basket would serve as a safeguard mechanism which governments could use to protect domestic producers against excessive import surges.

# Phone club days are numbered

Change is on the line for global cartel, writes Hugo Dixon

HE DAYS when the world's telephone companies could agree among themselves in cosy club committees how the international telecommunications market should be regulated are

passing.

A meeting later this month of a group within the International Telegraph and Telephone Consultative Committee (CCITT), the Geneva-based telephone club at the centre of a storm over excessive interna-tional phone call pricing, could change the provisions that restrict competition and allow earted practices.

The Financial Times recently reported that users across the world were being overcharged by more than \$10bn a year for international calls and that prices were on average three times cost as a ult of such practices among

the world's phone companies Two of the pillars on which the cartel rests are enshrined in the CCITT's recommends tions - the controversial D-se-ries of its Blue Book. These are the accounting rate system, a method of sharing the revenue from international calls which penalises companies that cut their prices; and restrictions on private circuits which are designed to keep non-cartel members out of the market.

A meeting of a working party of the CCITT's study group 3, which begins in Geneva on May 23, could bring substantial change to the latter restrictions. It will discuss sweeping plans put forward by the US to liberalise the D-series pestrictions on private circuits.

A rival French plan, which calls for more modest liberalisation, will also be on the table. Mr Theo Irmer, the CCITT's

director, argues that the restrictions are out of date and need change.

The change in the air is partly because organisations such as the European Commis-sion and trade ministries, in the context of the current negotiations on extending the negotations on extending the General Agreement on Tariffs and Trade (Gatt) to services, are taking an interest in telecommunications.

It is also because the compo-

sition of study group 3 is changing, as countries set up independent regulatory bodies to oversee their phone compa-nies. The US, the UK, Japan, France, West Germany and a number of other countries will be sending officials from their ministries as well as delegates from their phone companies to the meeting.
Whereas the phone cor

nies have traditionally looked only to their own interests, the interests into account. One user organisation, the International Telecommunications Users Group (Intug), will be directly represented at the The restrictions on interna-

tional private circuits are important for two reasons. First, they have held back the development of enhanced telecommunications services such as electronic mail and access to data banks. Private circuits are the building blocks for such services.

An umpublished report by the Organisation for Economic

Co-operation and Development says that strict adherence to the CCITT's recommendations would prevent the supply of such services. It says the they are not binding, have tended to form the basis for national policy telecommunica-tion frameworks and have been applied in a binding way by a number of countries".

What is more important, the restrictions on private circuits close off what is perhaps the quickest way of cracking the cartel on international calls. If private companies were allowed to lease circuits off the cartal members in bulk and resell the capacity to third par-ties, they would be able to undercut the prices of interna-tional calls. The phone compa-nies would then have to cut prices to stay competitive.
This route to introducing

competition was chosen by the US in the early 1980s. It had quick results because new operators could start offering services immediately without having to build their own net-



tried in the international arena because no country apart from the US allows resale, although the UK's Office of Telecon mications is examining the matter. Agreement would be needed by the phone compa-nies at both ends of the circuit before an international service

could be provided.

Mr Bradley Holmes, assis tant secretary of state at the State Department responsible communications, says the US will be pressing for four changes to the restrictions:

Users should be able to resell space on their circuits to

 They should be able to connect their private circuits to the public network. For exam-ple, a company in New York should be able to use its private network to route a call to Paris and use the public network to connect it to anywher else in France.

 Phone companies should offer private circuits at cost. A study last year by Ovum, the UK telecommunications consultancy, found that Europe's phone companies were pricing international circuits at between four and 20 time Private circuits should be priced on a flat-rate basis instead of customers being charged on the basis of how much they use their circuits. Volume-related pricing is recommended by the CCTT to blunt the competitive threat of

private phone operators.

France has recently modified its position. Whereas previously it opposed liberalisation on all four counts, it is now holding out only against the most important liberalisation measure - allowing private companies to resell capacity on circuits. It opposes such radical deregulation on the grounds that it would lead to private companies making easy money by "cream-skimming" the most profitable areas without adding any value them-

Given that the CCITT makes decisions on the basis of consensus, some compromise between the French and US



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# Tribes seek Chicago seeks the line between a deal and a crime land rights

By Sally Bowen in Lima

A NOVEL alliance of indigenous leaders and environmentalists in Peru has proposed swaps of external delatfor territorial rights, the land involved to be directly managed by the tribal peoples.

The proposal course of the

aged by the tribal peoples.

The proposal came at a three-day conference in the upper Amazonian Peruvian town of Iquitos. It was called by the Co-ordinating Body for the Indigenous Peoples of the Amazon Basin (Colca), which groups organisations representing 220 indigenous nations from five Amazonian countries.

The conference chairman was Mr Evaristo Nugkusg, a was far evaluate negating, a 40-year-old Aguaruna, and environmentalist participants included the World Wildlife Fund (WWF), Greenpeace, the National Wildlife Federation. Conservation International and Friends of the Earth.

National Wildlife Federation.
Conservation International and Friends of the Barth.
Indigenous representatives heavily criticised two big debt-for-nature swaps in Bolivia and Ecuador. The deals, first proposed by the WWF in 1987, have involved some debtor countries in reducing hard-currency debt in exchange for parks and wildlife refuges. Conservation organisations buy the deariorated debt paper, which is converted into local currency, bonds, the interest on these being used to preserve and manage national parks.

The potential inflationary impact of such swaps makes them an unlikely mechanism for substantial external debt reductions, and only small sums have been involved in the past two years. Some national and international bodies oppose them, arguing they tacitly confer legitimacy on the external debt.

But Coica attacked governments for negotiating the future of their homelands without consultation. National parks in the Amazon beath are home to more than in people, many of them tribal. Also, debt-for-nature swaps have failed to curb destructive mineral and inher exploitation.

The conference called for recognition that indigenous peoples are the key to guaranteeing the future of the Amazon region on behalf of humanity. Effective defence of the Amazon models of life and resource management, they said.

Environmentalists and observers present agreed.

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ist

Environmentalists and observers present agreed. Environmentally it is a sound dea," said Mr Richard Smith having 15 park rangers con-trolling a huge area, you'd have thousands of tribel peo-ple patrolling it.

# debt swaps | Futures traders tread with special care these days as a fraud trial gathers pace, writes Barbara Durr

other measures, trading cards are picked up more frequently, fines have been increased for

violations, and both exchanges have brought more outside directors onto their boards.

They are also investing \$5m in developing an electronic trading card, which aims to improve further the audit trail. The CME has even instituted an obligatory ethics class.

The fall-out from the investigation has made traders more cautious. In the past, for example, they might have evened up on trades immediately after the bell — a violation of the rules known as kerb trading. But now trading promptly stops, even though it may mean some traders go home with an unwanted position in the market.

the market. Everybody is pretty para-noid about doing little things

They are also investing \$5m

FTER a hard day in the pits, Chicago's futures traders say goodbys to each other in an unusual way these days. Friendly pats down of the Commodities Futures

the back and along the sides are common: traders are check-ing for wires and microphones. They remain traumatised by the Federal Bureau of Investigation undercover probe into fraud allegations at Chicago's two main exchanges. The probe came to light early last year and led to indictments of 47 traders and one floor clerk. The prosecution says its lives its attorn continues and some in

The prosecution says its investigation continues, and some in the pits fear that colleagues may be wired, as FBI agents were for nearly two years.

Worries at the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT) have been refreshed by the start last week of the first trial resulting from the investithe start last week of the first trial resulting from the investigation. Three Swiss franc traders from the CME are facing multiple counts of mail and wire fraud, and one of the three is on racketeering charges.

In essence, they are charged with having cheated customers and pocketed the profits. They could face stiff fines and prison sentences.

The feeling on the CME floor is that the entire affair has been overblown. Yes, traders admit, there have bean some bent on cheating but, in gen-

#### **US** asbestos costs suit rejected

By Martin Dickson

THE US Supreme Court has refused to let 30 US states bring before it a suit aimed at forcing "manufacturers of asbestos products to pay for the removal of the material from public buildings — which the states estimated could cost \$160m (\$3.58bn).

The various states will now have in decide whether to pursue suits independently against the companies in state courts. This would be very costly, in that proof of liability would have to be established 30 times.

30 times.

The suit to the Supreme Court was filed against 26 companies which made products that contained asbestos until the 1970s, when it was identified at a tricinogenic material. The suit alleged that the companies failed to warn state governments of the dangers of the material and failed to pay for its removal from public buildings.

ings.
It is rare for the Supreme Court to exercise direct juris-diction on lawsuits; it usually confines itself to disputes between states, or between states and the US Government.



that were accepted before," said one trader. The line between what was once accepted trading practice, though with a little alleged bending of the rules, and what was criminal is a key issue at the trials. The prosecution aims to show that the free-wheeling traders intentionally

violated rules to win profit for themselves instead of their customers, and covered their wrongdoing by changing their trading cards — the only records of their transactions. According to Mr Mark Pollack, Assistant District Attorney, the traders are alleged to have pre-arranged trades,

changed prices, cancelled unfa-vourable trades and matched orders without going through the pit's open outcry system.
Under all these schemes was
the effort to conceal trading
errors so as to avoid having to assume responsibility for los-

ing trades.

A trader on trial, Mr Robert
Mosky, is alleged to have fobbed off his losing trades on his
two co-defendants, Mr Danny
School Mr Danny Scheck and Mr David Zatz, who are "local" traders. The accommodating local traders, who trade only for their own accounts, were then rewarded with winning trades to make up the losses, all at customers' expense, the prosecution

alleges.
The case against the traders rests in part on the testimony and secret tape-recordings of the FBI agent who posed as a trader in the Swiss franc pit for 11 months during 1988. Another Swiss franc trader who pleaded guilty will also

testify.

Defence lawyers are arguing that what their clients did was accepted practice, and that the FBI agent did not understand the hectic and complex trading of futures. They repeatedly emphasised the "chaos", "bed-lam" and "pandemonium" of the pits, where prices change in the blink of an eye and, if you touch your face inadver-tently, you've bought a hunThey argue that FBI agent Mr Randall Jannett, given his inexperience, could not under-stand what he thought he saw. A number of the 48 indicted persons has already pleaded guilty and is understood to have co-operated with the pros-ecution. Two other trials, of 16

yen and 13 soyabean traders, are to start in September. But it is thought that the current trial will set the precedent. A difficulty in the case is explaining the arcane nature of the futures business to a jury of lay citizens. Both the prose-cution and the defence have a stake in the jury understand-ing, if not the details of futures trading, at least the general procedures. The jury is being given a short course in futures

trading by both sets of lawyers,

using expert witnesses. The trial is due to run at least six alleged actions by the traders are rules violations (to be pun-ished by the exchanges), civil wrong-doing without intent to defraud (punishable through

the courts) or criminal, with the sim to defraud. Mr Nicholas Weir, a Coopers & Lybrand commodities litigation specialist, summed up:
"It's like a chess game where
there are as many ways to
describe the game as there are
spots on the board to move."

#### **Price cuts** 'legal if not predatory'

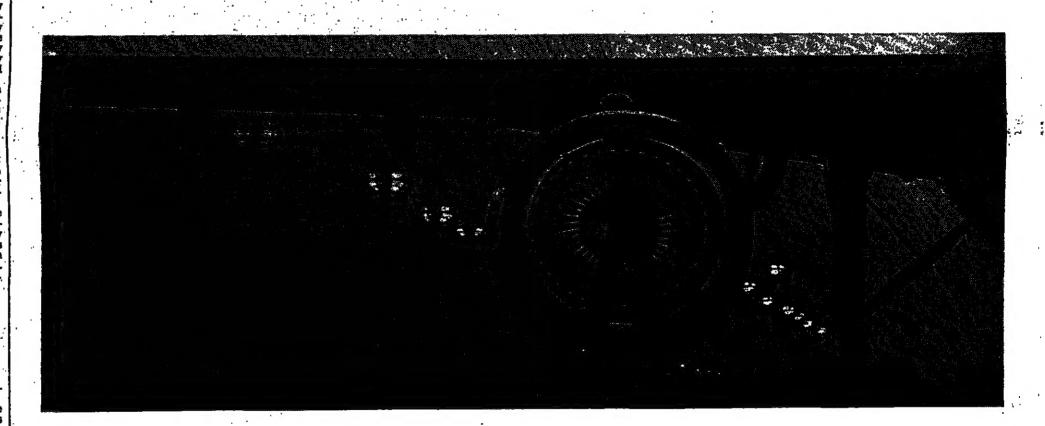
By Peter Riddell, US Editor, in Washington PRICE-cutting schemes which damage a competitor's busi-ness do not necessarily violate

ness do not necessarily violate
US anti-trust laws, the
Supreme Court ruled yesterday in a case which will have
a big impact on retailers.
The court, by seven votes to
two, rejected a claim against
Atlantic Richfield (Arco), a
leading oil group, by smaller leading oil group, by smaller independent retailers in Calif-

independent retailers in California and Washington state.
USA Petroleum, an independent oil dealer, had accused Arco of conspiracy with Arco petrol stations to fix prices illegally so as to drive smaller independents out of business.
The Supreme Court ruled The Supreme Court ruled that only when a company's price-cutting could be proved to be predatory and harmful did it violate the anti-trust did it violate the anti-trust law. Predatory pricing is defined as setting prices below the level necessary to sell a product at a profit, or below an appropriate measure of the cost of making the product.

Justice William Brennan said USA Petroleum had not suffered anti-trust injury. "When a firm, or even a group of firms, lowers prices but maintains them above predatory levels, the business lost by rivals cannot be viewed as an anti-competitive consequence."

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#### **PANAM**

WE'RE FLYING BETTER THAN EVER

# The general's pocket money goes to trial

United States a. Manuel Antonio Noriega has never been an average criminal case. American grand juries do not normally indict military chiefs on narcotics trafficking

The invasion of Panama to bring General Noriega to trial was an unusual sort of drug bust, and his rejected claim that, as a prisoner of war, he was not subject to trial differed from everyday defence tactics. Now, the pre-trial manoeuvres have become even more

amazing, with Gen Noriega's amszing, with Gen Noriega's lawyers proposing to use President Fidel Castro of Cuba as a defence witness and Judge William Hoeveler asking the US Government to justify giving away (to the new Panamanian Government which the invaders installed) \$5.8m of the generally procket money that US ers installed) so, an or the general's pocket money that US soldiers found in his bedroom when they seized his house in Panama City.

Meanwhile, Gen Noriega's lawyers have asked the court either to release them from the case or to force the Govern-

case or to force the Government to release some of the millions of dollars the general kept in bank accounts across the world, so that he can pay them. The defence also wants the Government to identify all the accounts it has frozen - a: demand the Government is:

The basic case against Gen Noriega is that he used his position as Panama's strong-man to aid Colombian narcotics traffickers, for which he was paid millions of dollars, the prosecution claims.

But Gen Noriega's lawyers say he earned his millions legitimately by performing ser-vices for US and other intelli-

to pay for the legal team he restrictions on the disclost wants. But the Government of classified information.

wents to keep the money for.

Judge Hoeveler was set in under US law, earnings from narcotics trafficking are forfeit. So the defence is asking the money. The trial may not start court to make the Government

prove that the assets it has fro-zen came from drug dealing. Judge Hoeveler appears to be inclined to concur with this

How much of Gen Noriega's

of his can he use to pay his lawyers?"

The judge was perticularly interested in the \$5.8m found in Gen Norlega's bedroom. "I recognise that it's not common to have \$5.5m in your hed.

had a right to give it away.

The prosecution has filed an initial response to the judge's questions, but asked that it be

The known frozen assets are held in 27 accounts, including the Union Bank of Switzerland.

activity?

came from the US or other gov-

ernment to dispose of the general's personal property, seized during the invasion?

The judge said the basic question was: "What property

to have \$5.8m in your bed-room," the judge said. "Still, it was apparently his money." It was an interesting question as to whether the Government

sealed. Prosecutors argue that mation might allow him to tan illicit accounts as yet undiscovered. Defence lawyers say they know of no such accounts.

seven at the London branch of only one of which is in Gen Noriega's own name. The secrecy which envelops

the money issue also shrouds another development – the disclosure to Brazilian journalists by Mr Castro that defence lawyers had visited Cube and vices for US and other intelligence agencies.

This is not an idle argument: the general needs lots of cash to pay for the legal team be Judge Hoeveler has set next

Monday for answers to his questions about the general's

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examines

security procedures according to aviation sources, Reuter

commission will make but the sources said that at the very least, it will seek modification

of the security procedures.
The commission was created
by President George Bush
after families of the victims

security

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#### **AMERICAN NEWS**

#### Menem hopes to curb unions Lockerbie commission

Gary Mead on authoritarian measures to curtail Argentina's strikes

President Carlos Menem, Argentina's quixotic Peronist leader, has produced many surprises since A PRESIDENTIAL commission investigating the Lockerbie bombing is expected to be highly critical of Federal Avia-tion Administration (FAA) taking office last July. But none of them have been quite none of them have been quite as paradoxical as his current attack against Peronist holy writ, the unrestricted freedom of trades unions. Mr Menem is preparing to hamstring the unions by curtailing their right to aviation sources, Reuter reports.

The commission, which will issue a report on the disaster today has made it clear in public hearings that it has profound doubts about the procedures that made it possible for a bomb to be smuggled aboard Pan Am flight 103. The bomb blew the aircraft out of the akies over the Scottish village of Lockerbie on December 21, 1988, killing 270 people.

It is not certain what specific recommendations the commission will make but the to strike.

While most Argentines are fed up with socially disruptive wildcat strikes, some of them

windat strikes, some of them are alarmed at Mr Menem's promise to push through trades union restrictions "with or without consensus". That threat has a whiff of familiar authoritarianism. Argentines are highly conscious of the fact that their civilian democracy is still less than seven years old. Under President Menem, government has become a matter of rule by decree, with retroac-tive Congressional sanction of the decrees, often much later. The Government's decision

to legally bind trades unions to secret ballots, advanced warnings and other pre-strike measures is a response to a wave of strikes which have plagued communications, banking, edu-cation, health and transport sectors. In January there were 75 different strikes, more than double the amount for the same month throughout the



Bankworkers were among the 75 groups who went on strike in Argentina in January

January's strike record is doubly alarming for Mr Menem, given that it is the month when the vast majority of Argentines take annual holi-days and are thus in no posi-tion nor mood for industrial action. Among public sector trades unions, matters have not smoothed over since Janu-

But having announced his intent of rapidly forcing through a decree restricting strikes, President Menem has now opted to present a Bill to

Congress on the issue. Its 18 articles propose that strikes be curtailed to the point of impossibility in any "essential service whose partial or total interruption could endanger health, life, freedom or security of any individual or community." Services deemed essential include transport, water, electricity, communications, medical and education.

Strikes infringing the new

medical and education.
Strikes infringing the new legislation (if passed by Cougress) will be declared illegal. That in turn would mean removing the legal status of those trades unions which defied the new legislation.

Argentina has more than 4m workers affiliated to trades unions. Trades union income is hig business. In the region of

imions. Trades imion income is hig business, in the region of \$5bn animally. Threats to de-legalise law-breaking unions alarm trades union leaders because, under current Argen-tine law, unions require state recognition before they can exist and operate as legal enti-ties.

Pormer president Raul Alfonsin Howregularly declared strikes illegal during his 1983-1989 government, and in one case removed a union's

in one case removed a union's legal status.

The shock for Argentine trades union leaders is that when they brought Carlos when they brought Caries Menem to power in May 1989's presidential contest they expected him to reinforce, not reduce, trades union power. Their response so far has been to push the idea of "self-regulation", the hint of a willingness to trade with the government. They are also banking on the notion — as indeed President Menem himself may be — that Congressional members of the Peronist party, many of them owing their position to union support, will considerably

water down the Bill before it becomes law.

Congress has the ability, when it likes, of sitting on legislation for months or years at a time. The new trades union Bill has been sent to the Senate (the upper house) first, itself an unusual measure; normally Bills are first presented to the lower house of Deputies and then read in the Senate. But President Menem can bank on greater support in the Sen

But President Menem can bank on greater support in the Senate, where his brother, Mr Eduardo Menem, is head.
Understandably, some of President Menem's closest advisers are scornful of the notion that Argentina's union leadership is either willing or able to control workers facing the toughest recession of the past 50 years. If Congress decides that placing severe limits on the right to strike of the most vociferously hostile

iis on the right to strike of the most vociferously hostile trades unions — all in the public sector — is too hot to handle, then President Menem retains the right to simply force the measure through as a presidential decree.

For the moment he has stepped back from a further stage in what some observers describe as "the creeping authoritarianism" of the Menem administration. Much of President Menem's economic reform programme, including

of President Menem's economic reform programme, including his wide-ranging privatisation schemes, was introduced by decree, and only after considerable haggling sanctioned by Congressional majority.

However, he has shown that he can and will dispense with Congress in order to implement his overall economic adjustment programme. But in today's Argentina no one is certain that that perticular and justifies this particular

#### Dinkins appeals for end to racial attacks

mayor David Dinkins condemned "eye for an eye" violence after a gang of blacks attacked three Vietnamese they mistook for Koreans, fracturing one man's skull just blocks from a black boycott of two Koreans from a black boycott of two Korean stores. Appropriate the condemned "eye for an eye" bat and was hospitalised under guarded yesterday with a baseball fracture.

A few blocks away, two Korean stores appropriate the condemned "eye for an eye" bat and was hospitalised under guarded yesterday with a skull fracture.

two Korean stores, AP reports from Washington.

The attack in Brooklyn early on Sunday was the latest in a string of incidents that have heightened racial tensions in

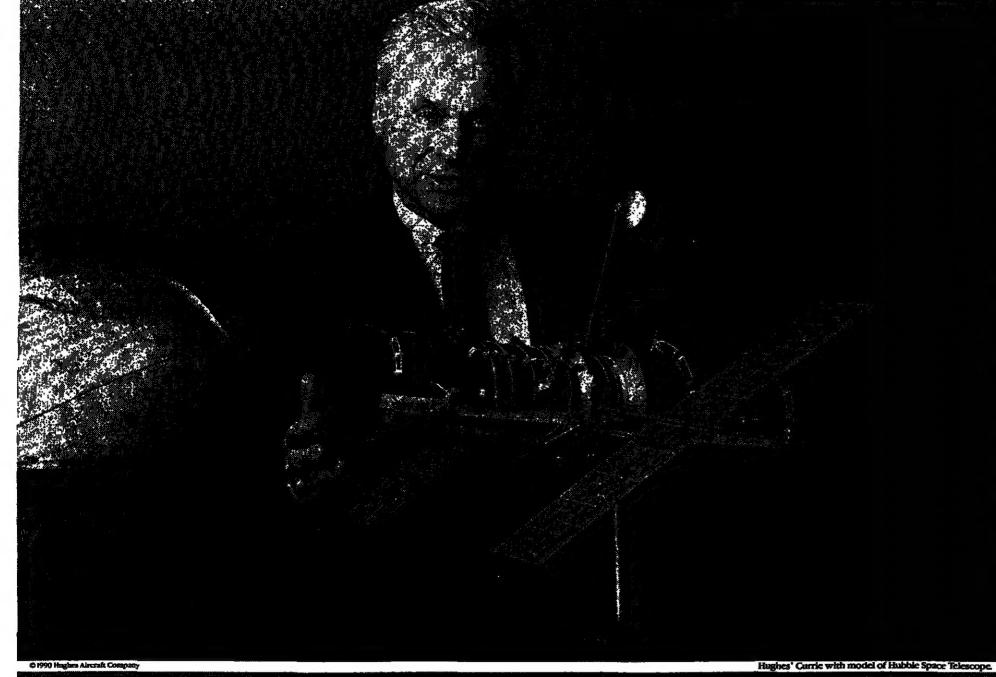
heightened racial tensions in the city.

"An eye for an eye, a tooth for a tooth, will leave us all toothless and blind," the mayor said in his second appeal for racial calm since Friday.

The Vietnamese men were set upon by 10 to 15 blacks shouting anti-Korean slurs, authorities said. Tuan Ana

ean-American grocery stores have been boycotted by blacks since Jan 18, when a black woman allegedly was roughed up by Korean workers in one of the stores after she refused to the stores after she refused to let them look in her purse. She had claimed she did not have enough money to pay for all her purchases

As the mayor spoke on Sun-day, two juries in Brooklyn were deliberating charges against two young white men accused of murdering a black 16-year-old who had entered the mostly white Bensonhurst section to look at a used car on August 23.



Not since Columbus sailed to the edge of the world has discovery loomed so close on the horizon. But now, Hughes Aircraft Company has a telescope that's so far-reaching, it could help NASA change the course of history.

It's part of NASA's vision to explore the universe and the earth as no one

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THE SPACE TELESCOPE First up is the Hubble Space Telescope, the world's first complete space observatory. It is the greatest leap in astronomy since Galileo first gazed into a telescope in 1609.

No telescope has ever been this precise. Its eight-foot primary mirror is smooth to within a half-a-millionth of an inch. And its fine guidance system can lock onto a hummingbird 1500 miles away.

Both are part of Hubble's Optical Telescope Assembly, designed and developed by Hughes Danbury Optical Systems, formerly part of Perkin-Elmer and now a subsidiary of Hughes Aircraft Company.

Orbiting high above the earth's atmosphere, the Hubble Space Telescope will have a clear view of the universe. Seven times as far as the world's largest telescopes. 50 times as sensitive.

"We've had the vision to change the world. And now we're setting our sights on the universe."

> Malcolm R. Gurrie Chairman of the Board & CEO Hughes Aircraft Company

And infinitely more revealing. It could confirm the existence of planets in other solar systems. And it will hone in on stars so far away, we'll be looking 14 billion years into the past.

Near the beginning of time.
FUTURE MISSIONS

The Hubble Space Telescope, which will open the window to the universe, is the first of NASA's Great Observatory programs. Soon NASA will also launch the

Advanced X-ray Astrophysical Pacility (AXAF). At the heart of this mission is an x-ray telescope system now being developed by Hughes Danbury Optical Systems. It will reveal light patterns in outer space that optical telescopes can't see. And it could help us uncover the secrets of "black holes," perhaps the key to understanding bow the universe was formed.

We have also set our sights on something much closer to home. Our own planet.

In NASA's "Mission to Planet Earth," our technology will help scientists study the earth's environment from distant observation points, to find ways of making our precious planet a safer, healthier place. It is an extension of the LANDSAT program, in

which we've been helping NASA map the earth's resources from satellites since 1972.

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ment that has inspired many of our

past joint achievements. The Pioneer Venus Orbiter. The Jupiter-Galileo Probe. The Surveyor spacecraft that paved the way for man's first moon landing. And the more than 65 Hughes space instruments that have been so vital to earth observation and interplanetary

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Recently in the BMW workshops a rather unusual experiment took place.

Its aim was to prove a simple law of physics: that a 6 cylinder engine is in perfect balance, and therefore always runs more smoothly than a conventional 4 cylinder.

The method of the experiment was simple, even if a little out of the ordinary.

Under the critical eye of an RAC observer, a record deck was placed on a four cylinder, 2 litre engine, which was run at 2000 rpm.

The 'Magnificat BWV 243' was jumping so much, Johann Sebastian Bach himself would barely have recognised it.

The same record deck was placed on a 2 litre, 6 cylinder engine.

It had to be a BMW, as no other manufacturer currently offers one in the UK.

At 2000 and 33½ rpm respectively, both the engine and the record revolved without the slightest hint of a jump.

Not content, the engineers tested the engine at

3000, then 4000 rpm with exactly the same result. (For the record, 4000 rpm is the equivalent of 83 mph on the Autobahn.)

You'd be forgiven for thinking BMW have made the choice of which 2 litre engine a foregone conclusion.

There is still the matter of choosing the body style. Firstly, there's the 520i, a car that 'Motor' magazine described as "a superb executive saloon" with "superlative mechanical smoothness."

Then there's the equally impressive 320i. Which comes with 2 or 4 doors, both of which are available in Special Equipment form.

After last summer, the benefits of the Convertible model hardly need mentioning.

And with 5 doors, in its Touring guise for those whose needs run to 39.7 cubic feet of luggage space.

But which ever 6 cylinder BMW you finally choose, you'll discover something about everyone else's 4 cylinders.

They're just not up to scratch.

THE ULTIMATE DRIVING MACHIN

# **Buoyant demand** adds to fears of **British inflation**

CONSUMER demand remains obstinately buoyant in the UK, according to figures released vesterday.

The news that retail sales The news that retail sales are still rising, coupled with a higher than expected rise in output prices, did nothing to ease worries about inflationary

pressure.
Provisional figures released
by the Central Statistical
Office showed a 1.0 per cent in
retail sales for April, compared retal sales for April, compared with a consensus market expectation, according to research by MMS International, of 0.4 per cent.
Sales volume over the last three months, which is less subject to seasonal variations.

rose by 1.0 per cent compared with the previous three-month period, and by 1.6 per cent since the equivalent period in

Year-on-year sales growth is picking up. At 2.14 per cent it is significantly higher than last year, when it hit 0.17 per cent

in July, but well below the levels of January 1988, when vol-ume growth stood at 9.64 per

Mr Roger Bootle, of Midland Montagu, said that these fig-ures told a "slightly disturbing story: it is clearly not surging away but at this stage the fig-ures should be more depressed than this, regardless of sea-sonal factors."

Analysts were less negative than they might otherwise have been because the figures were seen as seasonal. Mr Neil McKinnon, the chief economist at Yamaichi, said: "It's perhaps a rather misleading number in that it's affected by the time of Easter. I don't regard this as any indication that the con-sumer in the High Street is

now overspending again."
Unit labour costs are now seen as vital in the fight against inflation, and Thursday's figures on unemployment and average earnings will be awaited anxiously.

#### Government seeks to calm fear of spread in 'mad cow disease'

By Bridget Bloom and Clay Harris

MINISTERS continued to insist yesterday that the UK Govern-ment had done everything nec-essary to protect the human food chain and to control the spread of "mad cow disease."

It faces mounting criticism from opposition parties as well as some local authority officers who have to enforce the regulations on the slaughter and disposal of cows affected by the disease, hovine spongiform encephalography (RSE). encephalopathy (BSE).

Despite the row over BSE gaining new life after last week's post-mortem discovery of a similar disorder in a pet cat, leading supermarket chains said they had seen no evidence of reduced purchases of beef because of the scare. The meat industry also went

on the offensive. Mr Colin McLean, technical director of the Meat and Livestock Com-mission, which is funded by a levy on producers, said con-

sevy on producers, said con-sumers were in danger of being unnecessarily alarmed.

Mr David Maclean, the Food Minister, said the measures had been based on the scien-tific advice from two indepen-dent committees, one of which had recommended a wide rang-ing research programme also

ing research programme also now being implamented. The Government, which believes that the most likely cause of BSE is from cattle feed which includes the remains of scraple-infected sheep, last year banned the use of such feed for cattle, though not for pigs, poultry and other

# IRA bombing attack on 'soft' target may herald campaign

By Jimmy Burns and Emma Tucker

YESTERDAY'S bomb attack on a Ministry of Defence estab-Hishment in London may mark the start of an intensified bombing campaign against "soft" military targets, police warned last night.

Seven people were injured when a bomb exploded outside the Directorate of Army Edu-cation in Eltham, south east London, an office complex staffed partly by civilians. The Irish Republican Army claimed responsibility. Mr Archie Hamilton, the

Armed Forces Minister, described the attack as "absolutely despicable" and said security would be reviewed again.

Commander George Churchill-Coleman, head of Scot-land Yard's anti-terrorist squad, warned: "This may

only be the start of several further devices going off in differ-ent parts of the country." He warned military personnel and those involved in Irish affairs

The device contained 10lbs of plastic explosive, possibly Semtex and was buried in a flowerbed next to the front entrance of the building. The homb's timer could have been set hours or days before the

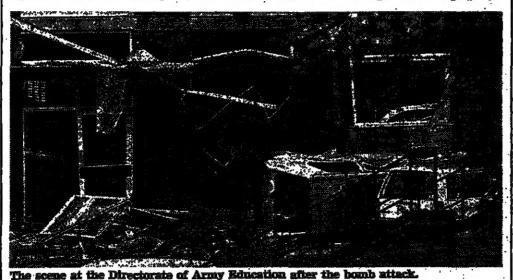
The Ministry of Defence said security had been recently enhanced at the establishment — an office complex which employs more than 100 staff, two-thirds of them civilians, who administer the army's education services.

The premises were guarded by MoD security staff, but not

The MoD said it was spending £128m to improve security at military establishments in

Security at military establishments throughout Britain has been stepped up in reaction to the IRA campaign, the worst example of which was last September's bombing of the Royal Marines' School of World Pool of Pool

In the past four years, improved intelligence has led to many of those responsible for the IRA's operations being arrested or killed. But material and the second in the s arrescen or kines. But mane-rial used in yesterday's bomb-ing, and the surprise nature of the attack, shows the IRA again capable of eluding the security forces, and inflicting damage on life and property.



# EC warned of nationalist threat

By Alison Smith

MOVING towards European union was like taking a "train to disaster", which could lead to "the destructive power of nationalism" destroying what the European Community had achieved, Mr Norman Tebbit, the former Tory cabinet minister and influential backbencher, warned yesterday.

"The gravest danger facing Europe is not that Britain would drag its feet and ruin a great European dream but that the European dream but the

en de la companya de la co

depend on securing "Euro-goodles" such as regional aid — on "success in raiding the European pork barrel". This would lead to coalitions

of EC member states joining together to re-distribute Ger-man wealth, with the result that "German nationalism and a sense of grievance that would explode and tear apart that European Community we have worked so hard to build up".



#### Marks and Spencer profits up

Marks and Spencer bucked the domestic retailing downturn by announcing a 14 per cent increase in pre-tax profits during 1986-90 — from £529m to £604m. Turnover rose 9.5 per cent

Turnover rose 9.5 per cent to 25.61bn in the year to March 31 and earnings per share from 12.89 to 14.5p. A final dividend of 4.55p was recommended, making 6.4p

recommended, making 6.4p for the year.

Lord Rayner, the group's chairman, said the quality and value of M and S products, as well as the cash generative strengths of the business, had helped protect it against the retailing alumn. He pointed out that the company had managed to reduce its net debt from 27 per cent of shareholders' funds to 17 per cent, despite capital cent, despite capital expenditure of £280m funded. from the retailer's own.

Lord Rayner said M and S would continue to add retail space. Last year, the group increased sales floor space in the UK and Ireland to 9.2m

M and S is also expanding its European activities, adding new stores in France, where the group recovered frem last year's transport strike, and moving into the Netherlands for the first time. Lex. Page 44

#### Pub prices survey

The Office of Fair Trading is to survey 2,500 pubs throughout the country to monitor the effects of Government orders aimed at increasing competition in the supply of beer, wines, spirits and soft drinks.

The report on purchasing patterns will provide bese-line

information for a later review by Sir Gordon Borrie, Director General of Fair Trading, of progress towards more competition, wider consumer choice and lower prices.

# Strangeways enquiry opens Lord Justice Woolf, opening the inquiry into last month's prison disturbances in Londo said he hoped it would lead to "sensible, reasonable and practical recommendations"

practical recummendativation in the first stage of the investigation, beginning next month, will look at the particular troubles at



Lord Justice Woolf Strangeways Prison, Manchester, and elecer, and elsewhere future.

#### Ban call on low flying jets

Very low flying by military jets should be phased out in the UK within two years and the need for more routine low-level training may be reduced in the longer term.

These are among the main conclusions in a report published by the Commons

punshed by the Commons
Defence Committee after an
extensive enquiry into the
controversy over low-flying
and the nuisance it causes.
The report accepted the
Boyal Air Force's argument
that aircrew needed to practise
at low level to be able to evade
enemy air defences, and said

enemy air defences, and said it would be "the height of fully" to cut training regardless of the military situation.

Low-flying recvements doubled to more than 247,000 a year between 1978 and 1988. Fast jets accounted for more than 80 per cent of the total.

#### Insurance still going strong

New business transacted by life companies operating in the UK continues to remain strong, with no sign yet of the predicted new business downturn.

Figures issued by the Association of British Insurers, at the start of its Insurers, at the start of the first quarter, new annual premium business increased by 15 per cent on the corresponding quarter last year from 2652m to 2749m, while single premium business rose nearly 60 per cent from £1.21bm to £1.88bm.

Pensions business remains particularly buoyant, despite an apparent drop in sales of personal pension policies used to contract out of the State Karnings-Related Pensions

#### **Builders** call in receivers

The fragile state of the housing market was underlined when two builders — one in the south-east of England and the other on Tyneside — called

Federated Housing, a Surrey-based builder specialising in first-time homes, said it was expecting a significant loss in 1989 after a significant and the making provisions against its land bank of some £7m.

Stanley Miller Holdings of Newcastle said Ernst and

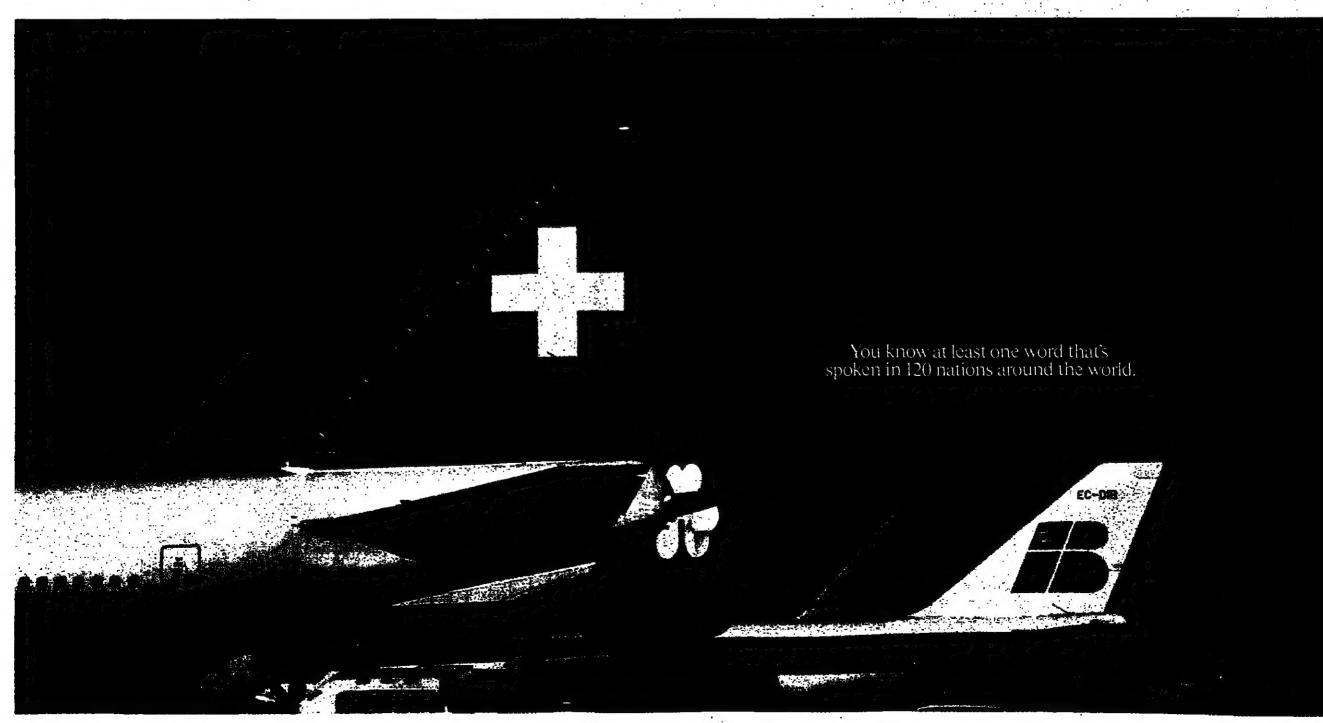
Young had been appointed as receivers by its bankers, National Westminster, after talks with prospective buyers broke down.

Several property developers and contractors have failed so far this year, including Rush & Tompkins, Declan Kelly, Brims Holdings and J M Jones.

#### Murdoch chair at Oxford

Mr Rupert Murdoch, media tycoon and politics, philosophy and economics graduate of Oxford University has endowed the Rupert Murdoch Chair in Language and Communications at his alma mater.

The more than £3m deal includes no less than three Times lectureships and a 2500,000 News International Research Fund.



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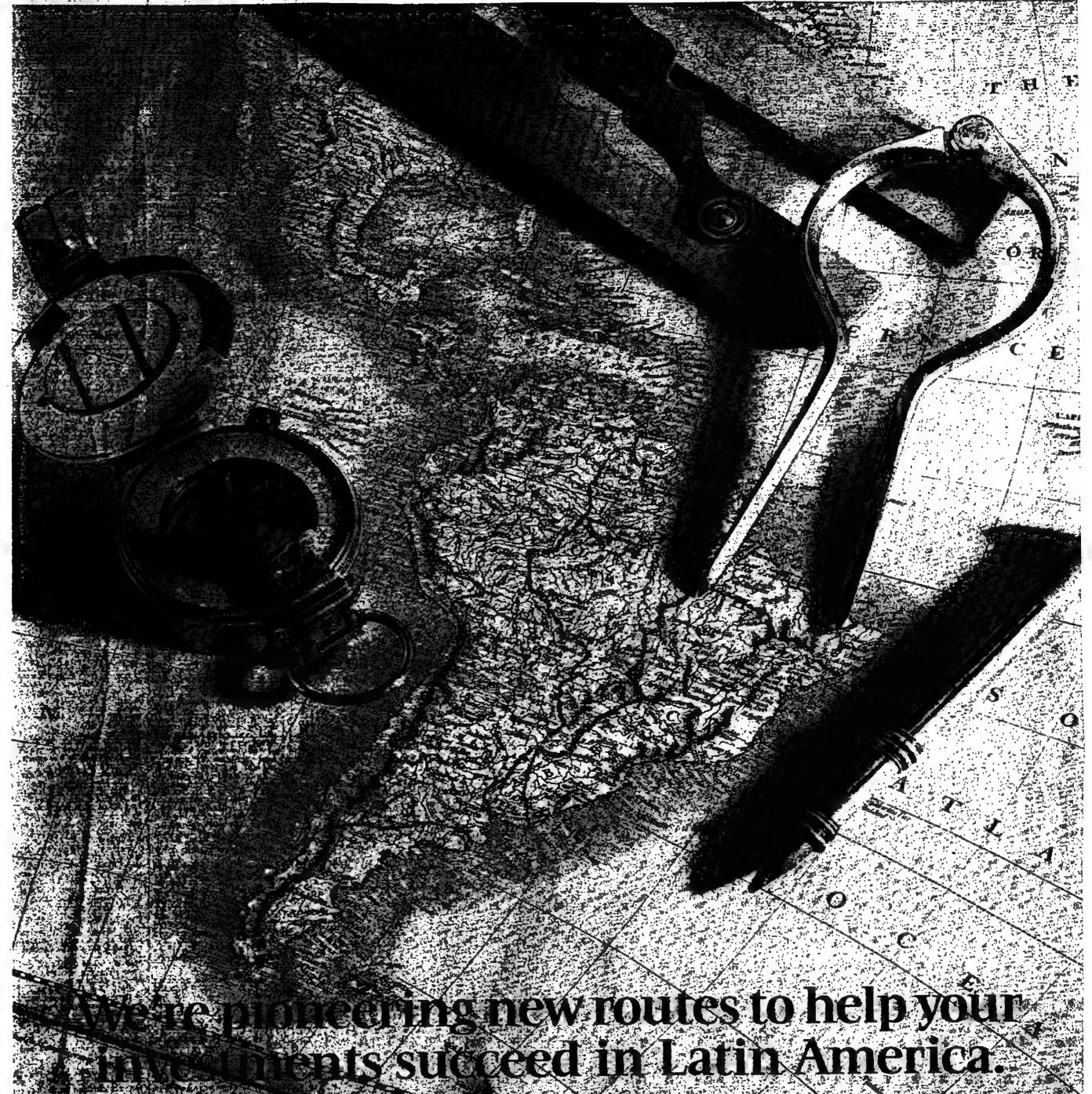
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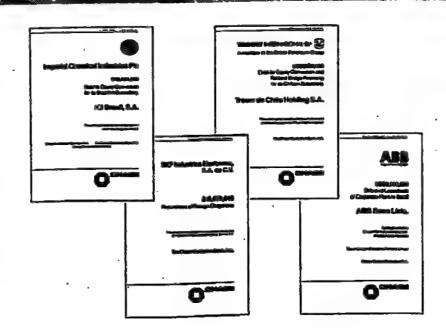
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For further details call Leslie Lassiter in London on (071) 726 5786, or Arturo Vilas on (071) 726 7617, or Luiz Tess on (071) 726 7645.



# Ford UK profits slip 28% in spite of record sales

By Kevin Done, Motor Industry Correspondent

THE UK operations of Ford of the US, the world's second-largest car maker, suffered a 28 per cent fall in pre-tax profits last year to £483m from a

record £673m a year earlier.
The drop in Ford UK profits occurred in spite of record sales of cars and commercial vehicles. Last year was still Ford's second most profitable

year of the decade.

It reflected in part the cost of Ford's leading role in the increasingly flerce battle in the new car market, as makers bat-tile to maintain their market share in the face of falling

The weakness of sterling also increased the cost of imported vehicles and components imported by Ford. So 39 per cent of Ford's UK new car sales were imported last

Part of the fall in pre-tax profits came from the financial effect of the Jaguar acquisition in the final months of last year, as net interest income of £65m in 1988 declined to £16m

Ford remains a hig factor behind the UK motor industry's £6.5bn trade deficit, in spite of a 14 per cent rise in the value of its exports to £1.67bm last year. Ford refuses to disclose the value of its imports.

Jord

1980 82 84 86 88 Ford UK was also affected by a £29.7m pre-tax loss incurred at Ford New Holland, its tractor-making subsidiary, which suffered substantial losses in Venezuela. Sales collapsed after the devaluation of the Venezuelan bolivar and it was forced to ship more than 600 tractors back to its UK plant in

Basildon.
The fall in Ford's UK profits stands in stark contrast with the good financial perfor-mances last year of Vauxhall, the UK subsidiary of General Motors of the US, and Pougaot

to weaken in the final quarter to weaken in the final quarter last year in the face of high interest rates and the economic slowdown. Ford, like its rivals, has responded with costly mar-keting campaigns, increased advertising, inexpensive finan-cing and higher-specification cars at unchanged prices. Mr Derek Barron, chairman

Mr Derek Barron, chairman of Ford Motor, the UK subsid-iary, said Ford's reduced profits were "convincing proof of the increasing levels of compe-tition we face".

Ford's performance last year

was "inadequate to meet the challenges of intensifying competition, rising costs and the

petition, rising costs and the slowing down of consumer spending generated by high interest rates," he warned.

Britain is the company's higgest single market in Europe. Ford held its share of the carmarket virtually unchanged at 26.5 per cent in 1939, while sales rose by 4.3 per cent to 608,717. Ford also dominates UK light commercial vehicle

608,717. Ford also dominates UK light commercial vehicle sales, with 47.5 per cent of all 1989 medium van sales.

UK car production rose 1.9 per cent last year to 382,561, while commercial vehicle output rose by 8.4 per cent to 143,971. Ford said that it lost production of 5,339 vehicles in industrial disputes in the final months of 1959.

# vehicle sales declining

market deteriorated further last month, with the worst monthly fall since sales began slipping away from the record levels of last autumn.

Some heavy truck makers are recording only about half the sales made in April last

The downturn, which is causing short-time working throughout the truck industry, is affecting in varying degrees all types of commercial vehicle except light four-whoel-drive Statistics from the Society of

Motor Manufacturers and Traders show total commercial vehicles sales last month were vanicies sales last month were
20.2 per cent down on the
33,581 sold in April 1989.
Warnings by Mr John Major,
the Chancellor, that interest
rates are likely to remain high
for some time, combined with
the slowing economy, have led
to many prospective buyers
postponing nurchases.

ostponing purchases. Scania's sales for the month were down by 32.25 per cent and those of Volvo fell just under 40 per cent. Ivece Ford and Leyland DAF, the two market leaders in the over 3.5 tonnes sector, fired relatively well last month each experwell last month, each exper-iencing a sales fall of only

#### Commercial Ford and Rover initiatives in skills training in the UK motor industry

# Car maker imports US university staff

FORD of Europe has reached an unusual solution to the problem of training some of its top engineers in advanced

renics skills. It has moved an entire

It has moved an entire American university degree course to England, complete with resident professors.

The company has imported the course from Wayne State University, Michigan to its research and development centre in Dunton, Resex. With it comes a professor from Wayne had the stays for a seminar before returning to the US.

The graduate engineers, who

will study two mornings a week for two years, will receive a Wayne State Masters degree in electronics and comer control systems. They will go on to work on developing power train units for Ford cars.

The company has impuried the degree because it wanted. British engineers to receive the same training as engineers from its base in Detroit, Michigan gan. It also believed there

equivalent course of the same quality in Britain. A further 11 engineers from Dunton are due to start the The company is also plan-ning to establish a similar course at Achen University in West Germany for engineers at its centre at Merkenich,

The professors from Wayne State who come to Britain to teach the course at Dunton

The training at Dunton is

started a recruitment drive for 200 more such graduate engineers in Britain

The course at Achen University is to be taught by resident tutors, although it will be the same as the Wayne State course and the German graduate engineers will also receive a degree from the American

Ford said yesterday that it had decided to import the

# Japanese challenge prompts skills deal

ROVER Group, the vehicle manufacturer, yesterday launched the Rover Learning Rusiness, a "business within a business" aimed at helping to co-ordinate the training needs of the company's 40,000

The launch coincided with the introduction of an "assisted learning programme", through which employees will be offered up to \$100 towards the cost of learning courses, not all of which need to be directly job related.

Rover is also offering Devel-

oping Manager programme which offers a range of opportunities for all employees, including aboption workers, to learn manag

skills.

Mr Rob Meakin, group personnel director, said the initiatives had been made in the light of demographic changes, which are reducing the immiber of 16 to 19-year-olds, and the competitive challenge from companies such as Massas and ies such as Nissan and

We have to be attractive to recruit and retain the right

more contribution from the existing workforce.

Rover Learning Business, which is backed by a group training budget of about 230m year, will operate in partner-hips with academic institutions including Warwick University, City University and Leeds Rolytechnic, which will bely provide some of the

its main product will be the design, development and pro-duction of training pro-grammes and materials in response to the demand of

Rover employees.
The training departments of each Rover plant will act as "franchises" to RLB. Managers will also be encouraged to take a greater interest in training development.

Among the courses which are not directly related to work is one on Japanese language.
Taught by employees of
Henda, the Japanese vehicles
group with which Rover has a
joint venture, it is providing lessons for 80 Rover worker and there is a waiting list.



# The Tulip 'at Compact 3'. A secure investment for the 1990's.

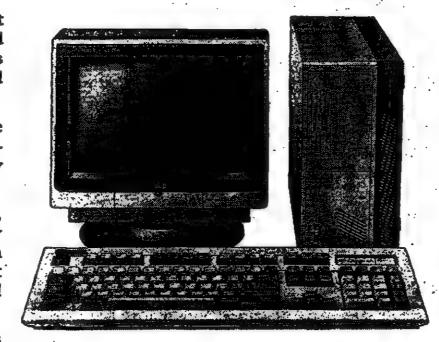
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#### **UK** shares turnover drops 10% By Richard Waters

THE singgish nature of the UR equity business and buoyent mood in the international equity market were confirmed resterday by the latest quar-terly bulletin from London's International Stock Exchange.
In UK shares, average daily turnover in the first quarter of this year was 10 per cent lower tham in the previous three meaning. The amount of business conducted by customers fruther than her ways market.

trather than between market makers) was down 8 per cent at 200/m a day.

Activity in the current quarter is likely to be lower still. During April, which is not covered by the survey, daily business was a further 10 per cent down on the first quarter's down on the first quarter's average, at £1.1bm, while cus-tomer business fell another 7 er cent, to £750m

In international equities,

meanwhile, activity exceeded that he UK shares for the first time, with an average of \$1.480m in shares traded in condon every day in the first quarter. Comparisons with the previous period are hampered by an extension in the reportng requirements for such

The amount of money raised on the stock market also declined in the first quarter. At £5.8bn, it was considerably lower than the £7.8bn of the

r prices in second and third division (beta and gamma) stocks in a move which could lead to more competitive pric-

such shares.

According to Mr Tony Abrahams, head of market making, the move was prompted by spreads of 5-10 per cent in the prices of some shares, which has beloed to drive business away from the stock market. The decision to make more ompetitive prices does not herald a new price war between market makers, he sald. Market makers are still smarting from losses incurred during a fierce price war in the largest, alpha stocks in the sec-cod limit of 1884.

#### **GUINNESS TRIAL** Lyons told to keep Roux's 'mouth shut' By Raymond Hughes, Law

Courts Correspondent

**EIGHT** days after trade department inspectors began investigating Guinness Sir Jack Lyons was asked to get Mr Olivier Roux, the compa-ny's director of finance, to "keep his mouth shut", the

"keep his mouth shut", the jury at Southwark Crown Court heard yesterday. Interviewed by the inspec-tors Sir Jack said that on December 8, 1986, Mr Thomas Ward, a US lawyer and Guin-ness director, had telephoned him from Washington.

"Mr Ward was very concerned... that I should use my influence at Bain & Company (Guinness's management con-sultants, of which Mr Roux was an employee) "to curtail Mr Roux talking too much,"

that I have any influence -even if I was prepared to follow through with your request -but I will have a word with Roux so that I know what you are talking about.'

Mr David Donaldson, QC, Mr David Donaldson, QC, one of the inspectors, suggested that, "roughly speaking", what he had been saying was, "Can you please talk to Mr Roux and get him to keep his mouth shut." Sir Jack agreed that "in plain language that is probably correct."

When he had spoken to Mr Roux he had said, "I am not surprised, but I am determined to, and I have in fact already done so."

Had Mr Roux expressed any view about his own conduct i Mr Donaldson asked.

Mr Donaldson asked.

Sir Jack replied: "He said, 'I have done nothing wrong. I had no benefits out of this at all other than my job. ... I feel that I have been certainly guilty of being naive, which I have no right to be, but I do not intend to be naive any more."

more."

Transcripts of Sir Jack's interviews with the inspectors were read on the fiftieth day of the trial in which he, Mr Saunders, former Guinness chairman and chief executive, Mr Gerald Ronson, Heron group chairman, and Mr Anthony Parnes, a City stockbroker, deny charges arising from an allegedly unlawful share support operation mounted by port operation mounted by Guinness during its takeover battle for Distillers. The trial continues.

#### Package tour bookings overseas 'to fall by 1m'

By David Churchill, Leisure Industries Correspondent

BRITAIN'S package tour operators expect to sell almost a million fewer continental holidays in the year to next April, according to figures released yesterday by the Civil Aviation Anthonity. The CAA is responsible for

licensing charter airlines and applications by tour operators often under-emphasise the

The planned 6.6 per cent — or 917,000 — fewer holidays on offer, therefore, suggest that the cut-backs in capacity this summer will continue into

next winter.

Demand for package holidays this summer is about 20 per cent below last year's level of demand. The expectations among travel companies in that demand for winter holidays part year will be static or days next year will be static or

The CAA figures show that Thomson Holidays, Britain's biggest tour company, plan to sell 3.03m holidays in the next year compared with 3.65m in the past 12 months.

International Leisure Groun Travel, the second largest operator, are seeking licences for 1.78m holidays, compared

The CAA points out that in spite of the cut-back in heli-days planned, tour operators expect to increase revenue by 2.6 per cent to £98m.

The 40 largest tour operators, according to the CAA fig-ures, account for 11m licensed holidays, just under 45 per cent of the total.

The top three companies -Thomson, II.G, and Owners

FINANCIAL TIMES THESDAY MAY IS 1000

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Polyechnic and seven further education colleges, a plentiful supply of graduates, technicians, management-trained and craft-based people is readly available.

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vital ingredient – a dedicated workforce, skilled in meeting your working needs. To find out more contact: Duncan Hall, Chief Executive, Teesside Development Corporation, Tees House, Riverside Park, Middlesbrough, Cleveland TS2 TRE. Tel 0642 230636. Fax 0642 230843.





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#### FBME MINT GUARANTEED PLC

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at the offices of E D & F Man AG, 17, Wilenstrasse, Wollerau, Switzerland, at 11:00 a.m. on Friday 8 June 1990, for the following purposes: 1. To receive the Accounts of the Company for the period ended 28 February 1990 together with the Report of the

- Auditors and the Report of the Directors. 2. To re-elect Mr A F M Saab retiring from office.
- 3. To re-elect Mr C Barrow retiring from office.
- 4. To re-elect Mr S C L Hickey retiring from office. 5. To re-elect Mr D J Pearmund retiring from office.
- 6. To elect Mr H A M McGrath to replace
- Mr D M Anderson, who has retired. 7. To re-appoint Coopers & Lybrand as the Auditors to the Company until the conclusion of the next General Meeting of the Company at which accounts are laid before the Members

and to authorise the Directors to fix the remuneration of the

BY ORDER OF THE BOARD LEGIBUS SECRETARIES LIMITED Secretary Dated the 10th Day of May 1990.

REGISTERED OFFICE Blackfriars House 19 New Bridge Street LONDON, ECAV 68Y

A Member emitted to attend and vote at the Meeting is emitted to appoint a proxy to attend and vote instead of him and such proxy need not be a roxy to attend and vote insember of the Company.

SERVICE CONTRACTS There are no Directors' Service Contracts.

#### CORPORATE FINANCE

The Financial Times proposes to publish this survey on:

18th June 1990

For a full editorial synopsis and advertisement details, please contact:

> David Reed on 071-873 3461

or write to him at:

Number One Southwark Bridge London SE1 9HL

**FINANCIAL TIMES** 

#### COMPANY NOTICES

MALAYSIA MINING CORPORATION MERHAD NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of members of Malaysia Mining Corporation Berhad will be held at Parkroyal Kuala Lumpur, Room Parkroyal X, 2nd Floor, 54A, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Monday, 11th June, 1990 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

- "THAT the respective balance sheets and profit and loss accounts together with the notes thereon of the Company and of the Group which state the affairs of the Company and of the Group at 31st January, 1990 and of the results of the Company and of the Group for the year ended on that date, together with the statement of source and application of funds of the Group for the year ended 31st January, 1990 and the reports of the Directors and Auditors be and are hereby received and adopted." "THAT the final dividend of 30% per 10 sen share, less tax at 35%, be
- and is hereby approved and declared payable on 14th June, 1990 to the members of the Company registered at the close of business on 25th "THAT YBhg Datuk Mohd Desa bin Pachi, who retires by rotation, be

and is hereby re-elected a Director of the Company."
"THAT YBhg Tan Sri Dato' Thong Yaw Hong, who retires by rotation, be and is hereby re-elected a Director of the Company."

THAT Messis KPMG Peat Marwick, who are eligible and have given their consent for re-appointment, be and are bereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."

By way of special business to consider and, if thought fit, pass the following as an ordinary resolution:

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and they are hereby generally and unconditionally authorised, notwithstanding the provisions of Article S of the Articles of Association of the Company, to allot and issue all or any of the ordinary shares unissued to any persons upon such terms any or the ordinary states times and for such purposes as the Directors may, in their absolute discretion deem fit, whether pursuant to an offer agreement or option made or granted by them or otherwise, subject always to the approval of all relevant regulatory bodies being obtained

15th May, 1990

By Order of the Board ABDUL MALEK ABDUL MAND WAN MOHAMED WAN YUSOFF

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a

member of the Company.

Copies of Directors' service contracts are available for inspection at 38th Copies of Directors' service contracts are available for inspection at 38th Phor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur on any weekdays (except Saturdays) from 15th May, to 11th June, 1990 during usual business hours and will also be available for inspection at Parkroyal Knala Lumpur, Room Parkroyal X, 2nd Floor, 54A, Jalan Sultan Ismail, 50250 Kuala Lumpur on 11th June, 1990 for fifteen (15) minutes prior to and until the conclusion of the Annual General Meeting.

A form of proxy to be valid must mean the Annual Central vectoring.

A form of proxy to be valid must mean the Malaysian Registrant' office at Peroas Charter Management Sendirian Berhad, 32nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia or the United Kingdom Registrant' office at Barclays Registrars Limited, 6, Greencoat Place, London SWIP IPL, England, not less than 48 hours

LEUMI INTERNATIONAL INVESTMENTS N.V. US \$20 MILLION GLARANTEED PLOATING NATE NOTES 1990 SERIES "C"

The interest rate applicable to the above Notes in respect of the six month period promineriting fluesting 15th May 1590 his been fitted at 8765 per arount. The Interest amounting to US 345.36 per US 51.000 principal amount of the Notes will be paid on Thursday 15th Mountain 1990 assisted researchation of

BANK LBURH TRUST CO OF NEW YORK Principal Perior Asent bank leumi אוני 🛞

#### SWEDEN

The Financial Times proposes to publish this survey on: 4th July 1990
For a full editorial synopsis
and advertisement details, ne or Gillian

King on 971-673 3990 or write to him at: Number One Southwark Bridge London SEI 9H£

**FINANCIAL TIMES** 

#### FT LAW REPORTS

# Gloucester trader loses market stall for breach of City's licence

GLOUCESTER CITY COUNCIL

v WILLIAMS AND OTHERS

Court of Appeal
(Lord Justice Fox, Lord Justice
Parker and Lord Justice
Ralph Gibson):

May 3 1990

THE OWNER of a franchise market has no obligation to provide stalls for vendors, but if he does so he is entitled to stipulate conditions of trading and to restrict the type of goods sold, in the absence of contrary custom or contrary provision in the statute or charter under which the franchise was created.

The Court of Appeal so held when dismissing an appeal by the first defendant, Mr Gary Williams, from a decision by Judge David Smith QC order-ing the plaintiff, the City of Gloucester, to take possession of a market stall held under licence by Mr Williams and his brothers, Paul and Dean.

LORD JUSTICE FOX said that in 1555 Mary Tudor allowed the City of Gloucester to continue to exercise the office of Queen's Clerk to the Markets. The Charter of 1672 endorsed the City's right to hold mar-

A market building, owned by the City, was opened on a new site in Eastgate Street in 1958. The degree of control neces-sary to effect the City's pur-poses was achieved by the grant of licences to stallholders. A licence was granted for a specific trade, and regulated the class of goods which could

be sold from each stall.
When the new building was opened the City agreed with former market traders that it would allocate licences to ensure that the balance of trade remained the same as

In 1972 Mr Gerry Williams became the licensee of stall 39, licensed to sell general green-

It was a large stall quite close to stall 41 where a Mrs Trottman sold shellfish. In 1978 she nominated Mr Williams as har successor.

No trader was allowed to occupy two stalls. On June 30 1978 the City granted a licence to Mr Williams's three som (the defendants) to occurv stall 41. They were licensed to use it

"on the terms herein".

By paragraph 3(o) of the licence the defendants agreed to use the facilities for the sale,

storage and preparation of "high class salads." In fact it was Mr Gerry Williams who ran stall 41. He ran it with stall 36 as one busine There was a clear distinction en the two stalls to begin with, but as time went on the distinction became blurred.

In 1984 Mr Williams sold the goodwill in stall 39 to a Mr Carter for £19,000. Mr Carter found that stall 41 was trading in direct competition with him in the sale of general vegeta-bles. He complained to the

On February 4 1985 the City gave the defendants notice to quit. In default of agreement on items to be sold the notice to quit was to stand. A list of 18 items was agreed by Mr Gerry Williams on the defendants' behalf as an interpreta-tion of "high class salads" in paragraph 3(0).
Mr Gerry Williams and the defendants did not abide by the

agreed list and on October 2 1987 the City served further notice to quit in respect of breach of paragraph 3(o).

In the Gloucester County Court Judge David Smith QC ordered that the City take possession of stall 41. The defendant

dants now appealed.

The question was whether as

a matter of the law of market franchises, the City was entitied to impose terms on a stallholder as to what goods should be sold from his stall. The defendants contended that a franchisee had no power to limit the class of goods to be sold from a stall, unless the power was expressly conferred by the charter or statute creating the franchise.

It said that a franchise mar-ket, such as the Eastgate Mar-ket, had the following regime of rights:
(a) the franchises enjoyed: (i) a

aix and two thirds miles monopoly (see Manchester Corporation v Walsh (1985) 50 P & C 409); (ii) a right to tolls and, in the case of a landowner, stallage (i.e. a charge for

(b) the public had the benefit of a market overt; (c) the individual had a common law right to come into the market for buying and selling. The City as franchisee, it

was said, was obliged at Com-mon Law to provide sufficient accommodation for the public to buy and sell. If the tranchisee failed in his obligations he risked repeal of the franchise.

Those propositions of law, accepted for the purposes of the argument, did not assist the defendants' case.

The land on which the Eastgate market was held was the City's property. Prima facie at Common Law a landowner was entitled to exact from a person who wished to have the privi-lege of occupying his land

such consideration and such terms as he thought fit. Thus, the landowner could fix a payment and, in the case es to be used for trad ing, could stipulate conditions as to the trade which might be

Accordingly, the landowner could restrict the type of goods to be sold by a licensee.

The question in the presen

case was whether there was any rule of the law of market franchise which displaced the There was not. A franchisee

was entitled to charge stallage if he provided stalls, but there was no obligation on him to provide stalls at all.

In the present case there were no customary, statutory or chartered rights which would displace that law.

The result was that, at Common Law, the owner of the soil was entitled to stipulate such terms as he though fit when granting a licence to occupy a all. There was no rule of fransan. there was no rule of franchise law which prevented that On the judge's findings, the agreed list of 18 items was incorporated in the licence as identifying the high class salads there specified, and was binding on the defendants contended.

The defendants contended that even if that were correct, paragraph 3(o) was not enforce-

First, they relied on the doc-

trine of restraint of trade as invalidating paragraph 3(o). The limitations in paragraph 3(o) did not come within the doctrine, because at the date of the licence the defendants had no previous right to occupy stall 41. When they took pos-session subject to the restric-tive provisions, they gave up no right which they previously had (see Esso Petroleum v Harper's Garage [1968] AC 269).

Second, the defendants relied tions Act 1976 which provided that it was unlawful "for any person concerned with the provision of goods, facilities, or services to the public . . . to discriminate against a per-

son . . . (a) by refus-ing . . . to provide him with any of them . . . " There was no evidence that the City refused to provide any facilities or services. The City was not "concerned with the provision of goods . . . " It was simply a landowner licen-sing the use of its land. The

point was rejected.
Third, the defendants relied on the Restrictive Trade Practices Act 1976.

When the new premises were opened the City made a nonbinding "gentleman's agree-ment" with traders that it would not alter the existing

balance of trades. It was contended that the agreement should have been registered under section 1 of the Restrictive Trade Practic Act 1976 which provided that any agreement to which the Act applied by order made under section 11, was subject to registration.

Section 11 provided that the secretary of State might order that the Act should apply to a dass of agreements made a) between two or more persons carrying on busi-

miss . . . in the supply of ser-The gentleman's agreement was not an agreement between two or more persons" carrying on business in the supply of 'services" (or "goods" — see section 6(1)). The traders were simply selling goods. The City was merely conferring a right

of occupation. The defendants did not succeed in demonstrating that the provisions of the licence were invaid. The judge came to the right conclusion. The City was entited to possession of stall

The appeal was dismissed. Ther Lordships agreed.

For the defendants: Leolin Price QC and Roger Rouns (Luttons, For the City: Nicholas Pattern QC and Tonia Clark (City

> Rachel Davies Barrister



# E SMOKING WORKS. **IDERA**

Smoking needn't mean friction, even when you share an office.

Non-smokers will appreciate simple acts of courtesy, like being asked if they mind you lighting up a cigarette.

Managers can help by ensuring that office ventilation works properly. And there

is an important contribution everyone can make: being tolerant of individual likes and dislikes

In short, both smokers and non-smokers should try to see things from one another's point of view.

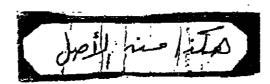
Smoking doesn't have to be a burning

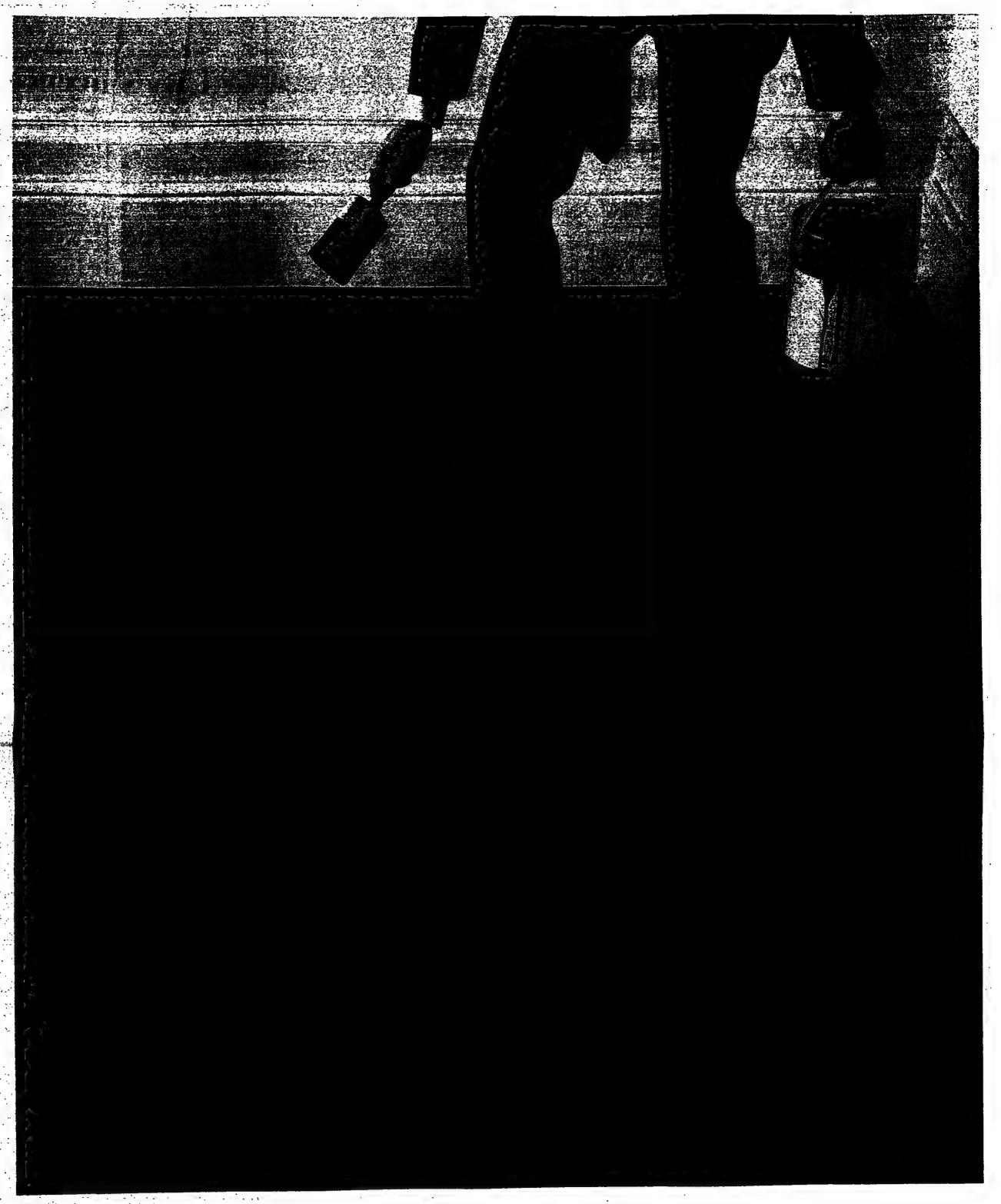
issue in the workplace. Consideration on one side, and a little tolerance on the other, may be all that's needed to take the heat out of the argument.

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ing shortage of murses. "It is a poten-tially huge problem," says Dr Nigel Offen, consultant surgeon at Whipps Cross Hospital in east London. "By 1995, we will need to recruit 50 per cent of the 18-year-old females with five O levels in the UK into nursing!" In the US, there is already a short-fall of about 200,000 nurses, and by the year 2000 there will be 600,000 fewer nurses than are needed, according to a report by the US Commission

on Nursing.
Rising costs are another comme problem. In America, hospital expenses have risen by an estimated 33 per cent over the past three years. More than 80 US hospitals closed their doors in 1988 and the trend is continuing. Experts predict that 40 per cent of US hospitals will have closed by 2000. Hospital closures and cutbacks are nothing new in the UK, in an era of government pressure to stem rising

Another surprising similarity



#### Eagle eye

between hospitals in both countries is the low priority that many have so far placed on the use of information tech-nology. Although the vast majority of US hospitals use computers to manage billing and related financial applications, only 40 per cent have infor-mation systems that address patient

Even among those hospitals that have automated patient record keeping, for example, few have fully-integrated systems.

"The average hospital information systems environment today has more "aneakernet" than true integration," says Susan Campbell a partner in the

says Susan Campbell, a partner in the Healthcare Group of Andersen Con-sulting, a major systems integrator. Sneakernet is a popular term used to describe computer systems that are not electronically linked. Users put on training shoes to rush data from one computer to the next.

"Different departments typically use different systems from different vendors to suit their individual needs. Data entry work is often redundant between departments. Timely commu-

# A case for screening doctors and nurses

nication of information is con-strained," says Ms Campbell. tries, health care is way behind in its use of information technology. Banks, for example, typically spend about 8 to 10 per cent of annual revenues on information technology. The information systems budget for hospitals is typically closer to 2 or 3 per cent.

Economic pressures as well as the growing recognition that information technology can contribute to advanc-ing the quality of health care are now, however, beginning to accelerate the use of IT in hospitals.

An important goal is to improve the

productivity of doctors and nurses by reducing the amount of time that they must spend on routine clerical tasks such as filling out forms and tran-scribing records.

scribing records.

"Forty per cent of a nurse's time is spend doing administrative and clerical chores," according to Jay Toole, Andersen's partner in charge of health care applications.

"We found that you could save an hour a day for each nurse by introducing a computerised clinical record keeping system," says Carolyne Davis, former chairman of the National Commission on Nursing and now a consultant with Ernst and Young. Dr Davis counters the widely Young. Dr Davis counters the widely held concern that computers make patient care more impersonal. "Reduc-ing the amount of time spent on paperwork allows nurses to focus more on the patients," she maintains. To obtain the maximum benefits

from a hospital information system it must be designed for use by doctors and nurses who typically have little or no computer experience and who may be highly sceptical about the benefits of information technology.

TDS Healthcare Systems, a leading

US hospital computer systems com-pany, has developed proprietary "ease-of-use" features to encourage professionals to use its computers.
TDS systems incorporate a "light pen" that allows users simply to point at an item on the computer screen to select it and to quickly scroll through

select it and to quickly scroll through screens of information to create orders for tests or medication from custom-designed menus, or to retrieve results of laboratory tests. Doctors can create displays and furnats that suit their day-to-day activities such as listing commonly-used tests. The core of the TDS system is a

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more. If you haven't, then you've pleasures to

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can be immediately accessed when a person is admitted to hospital or visits a clinic as an outpatient. Rather than sifting though what may be a cumbersome — and often disorganised — file of paper, the doctor can easily call up relevant information. Using a graphics and spreadsheet application, he or she can spot abnormal trends from data in the file.

mal trends from data in the file.

Other features of the system include appointment scheduling and resource allocation, which handle the complex task of managing hospital resources and help to balance work-

Saving time — and costs — is the primary task of the hospital information system. US hospitals that have installed computerised patient care systems claim to have reduced their costs per patient per day by as much Less tangible, but perhaps more

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important benefits of hospital informajoritant benefits of hospital infor-mation systems accrue from a reduc-tion in the number of errors that all too frequently are caused by the inef-ficiencies of hospital record keeping. Errors in prescription writing aver-aged 2½ per day at a large New York teaching hospital, and one in five of the mistakes could have caused severe medical problems or death.

severe medical problems or death, according to a recent study published in the Journal of the American Medi-

Information systems can also improve communications between different departments in a hospital. Fighting the system — retrieving lost records, battling to schedule tests or arguing over whether orders for X-rays have been delivered — represent major sources of frustration for nurses in large teaching hospitals. nurses in busy teaching hospitals, according to mursing administrators. When disputes do arise over patient

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care, whether within the confines of a hospital or in the courts, computer records provide clear evidence of exactly what was done, by whom and when. Unlike handwritten records which can be altered or removed, the

which can be altered or removed, the computer records are automatically dated and any changes to the record are similarly noted.

"Medical auditing" of physicians and hospitals to measure cost efficiencies or identify problems may also be greatly assisted by computerised records. Computerised records of a doctor or hospital can be examined far more quickly and efficiently than voluminous paper records.

voluminous paper records.

Similarly, medical records held on computer disk can be quickly anatransputer usak can be quickly analysed for research purposes to find out, for example, how effective a treatment has been. This could provide an important new form of "decision support" for hospital doctors.

To demonstrate the untapped potential of information technology in hospital hospital beauty.

hospital health care Anderson Con-sulting recently created a prototype "Hospital of the Future" permanent exhibition in Dallas.

exhibition in Dallas,
In the simulated hospital environment, computers from Hewlett-Packard, Digital Equipment, NCR, Compaq
and Sun Microsystems are linked on
"open systems" networks running
applications software from dozens of

pecialist companies.
In the simulated admitting room, In the simulated admitting room, patients' records are opened with medical and financial information which is transmitted immediately to the hospital ward and to the hospital billing department. At the same time, that information is recorded on a "smartcard," which looks like a credit card but incorporates a semiconductor memory chip that can store up to 1,000 pages of text.

When doctors order laboratory tests or medication the patient's records

or medication the patient's records are automatically updated. Nurses can make entries on a patient's record using bedside or hand-held computer terminals, or at a nurse's station.

In the emergency room, computers with handwriting and voice recognition speed entry of critical data. X-ray images are transmitted electronically to multiple sites for review by radiolo-

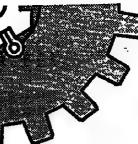
to multiple sites for review by radiologists and physicians.

Other systems help keep track of operating room schedules and supplies. Physicians also can tie into computer databases, which contain the latest medical research papers.

The technology also reaches into homes through a portable computer than can remind patients what medicine to take when and can transmit that information back to a physician

cine to take when and can transmit that information back to a physician or home health care agency.

"We don't expect any hospital over-night to incorporate all of the technol-ogy demonstrated at Hospital of the Future," says Jay Toole, "but they should have an integration strategy which gives them the flexibility to make incorporate improvements over



#### WORTH WATCHING

by Della Bradshaw

#### One computer is better than two

wifel on corpus two wifel or computer systems is rarely considered. As a result the enlarged company can often end up with two computer systems needing two teams of programmers.

Andersen Consulting has developed a design tool which allows software engineers to write one set of pro-

neers to write one set of programs to run on either IBM or Buil maintrames, Digital Equipment Vaxs, or OS/2 PCs. The Multi-platform system, as it is called, will also help companies to develop software on one computer and then move it easily to

Multi-platform is a layer of software which else between the proprietary systems software and the oftware programs which the computer user sees.

#### Mineral of measures up

HYDRAULICS are an integral HYDRAULICS are an integral part of machines as diverse as construction account and production line equipment. But to keep them all working roperly repaire a require flow of clean mineral oil.

One of the problems is how to measure the dirt in the oil in order to predict when the machine needs an overhaut.

UCC international, of Thetlore in Nortols, has developed a device which can extract oil trum the machine while it is in operation, and measure the contamination level in

To use the equipment a seriour is built into the oli-ca rying pipe. The CM20 portabl unit is then attached to the sensor and extracts a ribbon of oil 125 matrice long, Each particle is measured using

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light, and from this information the computer in the equipment calculates the conminetion level.

#### Executives on

the rise systems — computer systems designed specifically for company managers and directors

— is one of the fastest growing computer markets in Europe, according to Romtec the computer research company, of Maldenhead.

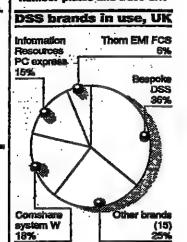
In the four years up to

December 1939 the market in the UK, France and West Germany grew by 273 per cent and in the last year by

72 per cent. The older breed of decision support systems (DSS) grew by 19 per cent over the last year, but have a much larger installed base — worth £50m.

#### On the lookout for speeding cars

era that can check the speed of vehicles, photograph car number plates and trace driv-



Source: Romto ers has been developed by EEV, of Chelmsford, writes Lynton McLain.

The convers can identify e or from a hercode on the registration plate and within three seconds a computer instructed by the camera ca print the car make, type and colour. The camera could be taked with the UK Driver Vehicle Licencing Contro to print a summons to a driver.

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# When the time comes to bring in an outsider

By Charles Batchelor

dren, require concenusinesses, like chiltrated attention in their formative years if they are to reach their full potential But as a company grows the foundar may no longer be the best person to manage that development.

The singlemindedness which drave the business in its early

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stages may hinder its later expansion when a more structured approach becomes necessary. But persuading the entre-preneur that he or she is not the person to call all the shots is not an easy task. Some businesspeople may be

Some businesspeople may be prevailed upon to bring in specialist managers in fields such as finance or marketing because they recognise their own limitations in these areas. But few are willing to delegate wide-ranging responsibility for running their business to a professional outsider.

professional outsider.

One of these rare exceptions is Janet Weitz, founder and is Janet Weitz, founder and chairman of FDS (Market Research) Group, a North London company with sales of £3.6m and full-time workforce of 34 people. Three years ago, when turnover had reached £2m, Weitz decided to step back from the day-to-day running of her business and to bring in a managing director.

Weitz was concerned that outsiders would identify the company too closely with her and see it as "a one woman business." This could have acted as a brake on further growth. She was also keen to have a proper professional management in place for the time when it came to float or

sell the company.

The person Weitz turned to was David Dubow, a director of a larger, rival market research company, MH. Dubow joined FDS as managing director designate in May 1968 and a year later was confirmed as md.

Now 36, Dubow says the

move to FDS was an opportu-nity to gain independence and seniority at a younger age than appeared possible in his previ-

He has also acquired a 20 per cent stake in the company. Weitz, who owns 60 per cent of to broader, strategic issues.
Coming to the intellectual

and emotional decision to hand over the reins of a business she had run for 14 years was not easy, says Weitz. "You can discuss it round a table and agree that it is right but it is difficult to let go. It is like your beby." Lengthy discussions with Dubow before he decided to join FDS and the year-long trial convinced her it was the right thing to do and that he

shared her view of how the company should develop. The time was right as well. "I am in my mid-40s now," she says. "I could never have let go in my mid-30s. I can remember when I would not let a piece of typing or a questionnaire go out without checking it.

At first Weitz and Dubow had not decided how long the trial period should last but a professional friend of Weitz's suggested they set a specific deta

He also advised that Weitz move out her office to make way for Dubow as a symbol of the change over. But Weitz liked her office too much and compromised by giving Dubow a larger office elsewhere in the

building.
On the day that Dubow became md, Weitz arranged a formal handing over carenony.
"We made a celebration of it and cracked open some bottles of champagne," Weitz recalls. Staff were understandably sceptical that Weitz would achially hand over never after. actually hand over power after all those years, says Dubow.
"But that faded fairly quickly.
They could see that Janet and I got on and that we were saying the same flying in a different

When Dellow came in to the company he took a close look at its systems and methods of working before suggesting any changes. FDS was organised as an "efficient small company" but some modifications were meded if it were to grow, he

Previously research executives operated on their own or in ad hoc groups. Dubow has created working groups with

Estate

pue

Planning

the equity, has become chair an executive in charge as man and now devotes her time more junior members more junior members to achieve greater continuity and has also chased after more international business, an area where FDS was weak.

Weitz, for her part, has been able to concentrate on longer-term issues and on giving more time to industry-wide initiatives in areas such as carrying out research on the tele and quality control. She was tovolved in the recent acquisition of a smaller research company and is considering diver-

pany and is considering diversifying FDS into political polling.

Both Weitz and Dubow have been pleased by their initial experience of her decision to share power — Weitz says she would find it very difficult to go back into the day-to-day mensorment of the business management of the business — but such partnerships require careful management.

thairman of The Christal. Group of Companies, a Newbury, Berkshire-based specialist transport group, took a similar decision to bring in a managing director from outside the company several years ago. Christal has since expanded strongly under Jackson, 46, and his md, Dennis Pye, but the combination of strong-willed entrepreneur and big company- trained professional has not always been smooth.
Jackson, a dranghtsman by
training, founded Christal Cabs
in 1967 but later switched to
providing a delivery service for computer parts. By the early 1960s Christal was struggling. Turnover had risen but, Jack-

tensive in the reset on, season acknowledges, he was "not very financially minded" and profits failed to keep pace. Iackson was releaved when he was made an offer by Lex Transport Services but the deal through when Lex decided. fell through when Lex decided to dispose of its transport Jackson had been impress by Pye, who had made the ini-tial approach on behalf of Lex. and asked him to become md backed up by the offer of a 25 per cent stake in the business. Pye agreed to join and Jackson



lanet Weitz, founder and chalman, and David Debow, now managing directors rare exceptions to the rule

time to his family.

After a year though it was clear to Jackson that the switch to professional manage-ment methods was taking lon-ger than he had hoped. A num-ber of middle managers found Pye's insistence on prompt financial reporting and on planning difficult to take; they

realised that people needed ma," says Jackson. He remained convinced that Christal needed what he calls Pye's more "clinical" approach —
Pye prefers to call his style
"clear cut, objective" — but he
felt it needed leavening with a
touch of entrepreneurial flair.

"Because of my professional training I weigh all the odds," comments Pye. "The entrepreneur doesn't always do that. He has a gut feel that something is right." There have been disagree-ments, both acknowledge.
"One has to take a pragmatic view and look to the interests of the company," notes Pye.
"We have different skills which

complement each other," says Having decided to take a more active role in the com-pany again, Jackson found, like some of his middle manag-ers before him, that it was difficult to fit into the new, more formal structure. "I found myself out of place," he explains. "I wasn't going

ack seat and devoting more through the right channels." This continued for a year or so until Jackson decided he needed to take an even clo hand in the planning of the business. At a board meeting in 1988 Jackson and Pye, together with the company's accountants, Coopers & Lybrand, and its bank man-ager, met to discuss their thoughts for the company's

> of marketing director as well as chairman (he has visiting cards made out in both titles) and threw himself into halaing with customers and the corpo rate image. As a former tranghtsman he is working on a reducign of the vehicle fleet's

livery.

Calling in a professional manager has not worked out exactly as Jackson had planned but Christal has done well from the partnership. Profits have improved while turnover, which was £300,000 in 1981, has increased to £9m (half contributed by OTP, a recent acquisition which specialises in bespoke packaging for awkward loads).

Perhaps as important Jackton has more faith in himself as a manager. I had always been over-awed by big company managers," he says. I always thought it must be essier to run a small company well from the partnership.

eesier to run a small company than a big one. Now I know it

#### What the customer wants

Charles Batchelor reports on a guide to marketing

approaches to doing business. One businessman decides that electric corkscrews would be a good idea. He secides to make some. In fact, he makes 1,000. He prices them at £10 each and tells his employees: Now let's get out there and sell them!

His competitor approaches matters differently. He says: Let's see if people have any problems opening bottles. Can we develop a product to solve those problems? What do peo-ple think of our solution and how much are they prepared to pay for it? Can we make it profitably? Now let's make some and go and sell them. This distinction between the

inward-looking company and its outward-looking counter-part is made in Successful mart is made in Successful Marketing for Small Businesses by Nigel Hill, one of a four-bert series of small business guides produced by The Royal Bunk of Scotland.

The inward-looking businessman assumes that the purpose of selling is to ensure the constance buys the product or

customer buys the product or

His outward-looking, and usually more successful, rival believes that the purpose of marketing is to provide what the customer wants. Too many small business founders have a strong emotional attachment to their product and are blind to the requirements of the market place.

The engineer or craftsman will be naturally inclined to place the emphasis on quality, notes Hill. He assumes that a better product, a more advanced gadget or one with more features is the way to a competitive advantage in the market place.

However, success in the However, success in the market place may be determined by apparently fickle preferences, illogical choices or the customer's conservative belief in traditional methods. The main objective of all firms should be the winning and keeping of satisfied customers abys BUI Marketing in tomers, says Hill. Marketing is not primarily about markets, market research or assessing market demand. It is about

onsider these two service that his company sup- customers, understanding their requirements and behav-iour and giving them what

they want. Small firms should have an advantage over large in this area because the decision-makers in the small firm are closer to their customers. As the business grows it must resist all pressures to become more remote from its customers.

warns Hill. Responsibility for customer satisfaction cannot be assigned to the sales of marketing department. It must rest with everyone in the company. For example, workers on the shop floor have a huge impact through their ability to pro-

duce a high-quality product. office staff can contribute to customer satisfaction by processing orders quickly, delivery drivers, receptionists and service engineers can all have a role to play, he sug-

\*Other titles in the series are Successful Exporting, Successful Expansion and Starting a Small Business. Published by Charles Letts. £4.95 each.

#### In brief...

Impovators and inventors who currently face difficulties in raising finance and finding backing for their ideas should benefit from plans to provide more focused assistance through enterprise agencies. BP (British Petroleum) is pro-viding up to £100,000 to finance innovation advisers at 15 enterprise agencies around the

The advisers will provide information on local and national sources of assistance; will set up a panel of professional experts to offer help free or at reduced rates; and will encourage the establishment of groups of local private investors withing to invest up to tors wishing to invest up to 250,000 in innovative busi-

The 17th International Small Business Congress on the theme of Partnership for Global Prosperity will be held on September 16-19 in Seoul, South Kores.

Topics to be covered include the internationalisation of small business, the impact on small business of the liberalisa-tion of financial markets and

UK Contact: The Forum of Private Business, Ruskin Chambers, Drury Lane, Knuts-ford, Chashire WA16 6HA. Tel

■ Technological co-operation between the regions of Europe is the subject of a two-day conference to be hald in Modrid on October 23-24. Sessions will include the impact of technol-ogy transfer on regions, how to persuade small and mediumsized companies to make use of outside technologies and the factors which determine the success implementation of technology.

The conference is organised

by the Spanish Ministry of Industry and Technology and TII, a technology transfer asso-

Contact CDTL P. de la Cas-silana No 141, 28046 Madrid, gain. Tel 34.1.581 55 83.

Michael Grylls, Conservative MP for Surrey North West, has been banted Politician of the Year in a small business awards scheme, the Gulidhall Helping Hands Awards, for his work as chairman of the Conservative Trade and Industry Committee and as chairman of the Small Business Bureau, a lobby group.

Witner of the special award for services to small business was Prince Charles for his work with the Prince's Youth Business Trust. The awards are made by the National Fed-eration of Self Employed and Small Businesses and Tollit and Harvey, a stationery man-

■ A Centre for Franchising is to be established at City University Business School to carry but research into subjects such as franchising within the European Commu-nity, differences in motivation levels between franchisees and managers and problems large companies face, both as fran-chisors and franchisees,

Director of the new centre — sponsored by National West-minster Bank — is Martin Mendelsohn, a senior partner of Adlers, a firm of solicitors. Contact City University Busi-ness School, Tel 071-940 0111.

Buying and Salling Private Companies, a one-day seminar intended for the owners or acquirers of private companies, will be held in Manchester on June 5. Contact: David Garrick Ltd. 1 de Walden Court, 85 New Capendish Street, London W1M TRA. 071-881 0689.

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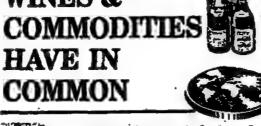
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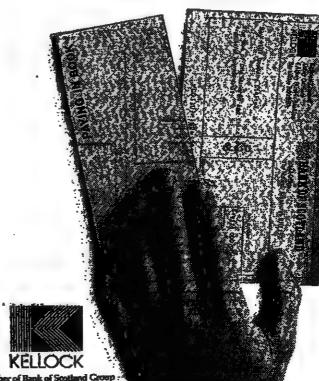
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Is your Company in financial trouble or experiencing trading difficulties? Services of top level management Company with proven track record available to take an active role in the day to day management with particular emphasis on financial reorganisation and on enforcing a low emprates on mancal reorganisation and on enforcing a low cost base. Financial input available if required. Minimum turnover £5m. per annum. Enquiries write in confidence to:

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#### Burlington Fabrics (Holdings) Limited

The business and assets of a complete vertical knitting operation based at Gaerphilly, Mid Glamorgan is offered for sale.

- ☐ Turnover £12 million, of which over 50% is export.
- ☐ Freehold property 140,000 square feet.
- ☐ Experienced workforce, approximately 250. ☐ Substantial order book in excess of £4.5 million for ladies

fashion, lingerie, upholstery and technical fabrics. For further information please contact R. G. Ellis the Joint Administrative Receiver or Peter Engel at Burlington Fabrics (Holdings) Limited, Western Industrial Estate, Lon-y-Llyn, Caerohilly CF8 1XJ. Tel: 0222 861411. Or alternatively at the address below.

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS. Tel: 0222 481111. Fax: 0222 482615.

#### Touche Ross

#### Reid and Lee Limited

(In Administrative Receivership)

The goodwill and assets of a well established main franchise dealership, located on prominent freehold site at Marsh Barton Trading Estate, Exeter is offered for sale.

- ☐ 2,500 vehicle unit sales per annum.
- ☐ 2,000 vehicles contract-hire fleet.
- ☐ Fully equipped modern body and paint facility (leasehold).
- ☐ 1.6 acre site (freehold) compdsing 30,850 sq. ft. workshops, showrooms, offices etc.
- ☐ 90 employees including strong management team. .
- ☐ Guide financial information: £16.5 million

Tumover Profit 1990 Tumover

£960,000 £18.5 million (plan) Profit £817,000 (plan)

For further information please contact the Joint Administrative Receiver David Bird or Richard Coates or Colin John at the address below.

Queen Anne House, 69-71 Queen Square, Bristol BSI 4JP. Tel: 0272 211622. Fax: 0272 292801.

# LEONARD CURTIS

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#### NORTHERN BUILDING DEVELOPMENTS LTD

THE RECEIVERS OF THE ABOVE COMPANY OFFER FOR SALE THE FOLLOWING SIX DEVELOPMENTS AROUND NEWCASTLE UPON TYNE

- 1. BLENHEIM HOUSE completed block of 33 flats 2. PORTMAN MEWS 3. GATESHEAD
  - partially completed block of 125 flats site with outline planning permission for 24,000 sq ft of offices and 17,000 sq ft of factory units
- 4. WESTGATE ROAD 5, BLENHEIM STREET
- suitable for leisure / retail / offices development site potential for petrol forecourt
- and garage 6. LEAZES PARK ROAD planning permission for a 12,000 sq ft

ALL ENQUIRIES TO THE RECEIVERS

LEONARD CURTIS & PARTNERS 3rd Floor Peter House Oxford Street Manchester M1 5A8 Tel: 061 236 1955 Fax: 061 228 1929

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Financial Times, One Southwark Bridge, London SEI 9HL.

COUNTY DURHAM PLASTIC INJECTION MOULDING COMPANY WITH DINISHING FACILITIES

Company with a turnover of £0.5 million, principally undertaking work for well-es-tablished and reputable

Par details apply: CLIVE OWEN & CO Chartered Accomptants
1 Blackwell Lane, DARLINGTON
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Shopfitting and Dieplay Equipment Manufacturer

Well connected manufacturer of Shopking and Display equipment. Located in South East. Turns over £3 million plus with many leading High St. and tiples. Owner retiring but excellent management beam in place. Guide price - £1.5 million. Write Box H6206, Financial Times One Southwark Bridge

London SE1 SHL

# Ross

Touche

BUSINESSES FOR SALE

#### **CORPORATE FINANCE**

#### Metal Fabrication and **Profiting Company**

The whole of the issued share capital of a metal fabrication and profile services company is offered for sale.

- □ East Midlands based ☐ Tumover £800,000
- Strong growth potential
- ☐ Highly profitable
  - ☐ Blue chip customers ☐ Freehold property
- For further details please contact Paul Bower or David Jones at the address below.

St. John's House, East Street, Leicester LE1 6NG. Telephone: 0533 543598. Fax: 0533 552055.

#### **Touche** Ross

#### For Sale The Business and Assets of Bluebell Garages (Middlesbrough) Limited (In Administrative Receivership)

Pollowing the appointment of R. S. Preece and J. P. Richards as Joint Administrative Receivers, the opportunity arises to acquire the goodwill and assets of a well established motor dealership and petrol filling

- Freehold site of approximately 1.25 acres, well located in Addam, Middlesbrough with current benefit of a motor dealer franchise and a petrol filling station.
- ☐ Vehicle sales of approximately 1,000 new and used vehicles per
- ☐ Petrol sales of approximately 49,500 gallons per week. ☐ Lessehold petrol filling station of approximately 0.39 acres located at Ormesby, Middlesbrough achieving petrol sales of approximately 26,000 gallons per week.
- ☐ 72 full and part time employees. □ Modern forecourt facilities developed to oil company specifications.
- ☐ Fully fitted servicing workshop, parts facilities and car wash. ☐ Annual turnover £10.5 million (1988) and £12.9 million (1989) achieving net profits of £577,000 and £326,000 respectively. For further details, contact the Joint Adminstrative Receiver,

Eleven Albion Street, Leads LS1 52J. Tel: 0552 444741. Fac: 0552 448942.

#### Touche Ross

#### Merlin Mouldings Limited

Raiph S. Presce at the address below.

The business and assets of Merlin Mouklings Limited are offiered for sale. The company is engaged in the manufacture of thermo plastic injection mouldings and the construction of moulding tools, and operates from premises at Heathfield Industrial Estate, Newton Abbot, Devon, Features are:

- ☐ Blue chip customer base for trade mouldings and own products.
- ☐ Tumover approximately £1.5 million.
- Good Order Book
- ☐ Modern equipment in purpose built factory.
- For further information please contact Roger Peace or the Liquidator David Bird at the address below.
- Queen Anne House, 69-71 Queen Square, Bristol BS) 4FP. Tel: 0272 211622. Fax: 0272 292801. Authorized to comy on Investment Statesia by the Institute of Charlesed Accordance

# Strongly Branded Fast Food Distribution System

An excellent opportunity to acquire an established company suitable to develop by franchising.

Over three years ago our client acquired the UK and European rights to a strongly branded Australian fast food distribution system. They have developed an impressive client base which includes the UK's major leisure and catering operators. The Company has traded profitably over the last

The concept is suitable to develop by franchising. We have worked with them to prepare the franchise package and the first franchisee has been appointed. Fletuctantly our client now finds that they need to sell in order to concentrate on their core business activities.

If you would like further information, please write giving a brief description of your organisation, including size and type of business. In return we will supply a more detailed package of information, to genuinely interested parties.

Please write to: David Acheson, Stoy Hayward Franchising Services, 8 Baker Street, London W1 M 1 DA. All correspondence will be treated as confidential.



**Stoy Hayward Franchising Services** 

Business Opportunity
FOR SALE! Hiro Cruiser Marine Beac situated on Longh Erne, Co. Fermanagh, Northern Freiand.

Harbour with twenty private moorings for hire. Modern concrete block built offices, reception, workshops, tollets and showers.

Omiffied and efficient engineer and boatbuilder employed.

Fibre floet of 12 modern huttry motor cruisers which are currently 60% booked

for the present season.

Public sinway adjacent to the premises.

Reason for sale - retrement age of present owner,

Suitable for development and expansion, Write Box H6227, Financial Times, One Southwark Bridge, London SE1 9HL

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Excellent Freehold Factory Premises
Recently Refurbished to a High Standard
Highly Profitable Price: £1.1. Million Details: - Louis Taylor Britannia Estate Agents

Tel: (0782) 260222

E. Anglian resort.

Monopoly postn. T/O £400K. 2 F/hold props & fleet of 15 coaches. Price £525K. Lakey & Co (8394) 273371

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BUSINESS

M25

#### ICC Electronics Ltd and Armstrong Electronics Ltd (In Receivership)

Workington The above companies design and produce electronic controls.

 Freehold and Lessehold premises Annual turnover approx.

£7.5m Skilled workforce of 190

 Substantial order book Prestigious customers For further details please contact the Joint Administrative Receivers: Ian Turner or Peter Flesher,

Grant Thornton, Higham House, Higham Place, Newcastle-upon-Tyne NE1 SEE. Tel:091 261 2631 Fax:091 232 6903

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Grant Thornton

#### **Rhodon House Limited** (In Receivership) 10

Telford

The above company manufactures glass reinforced plastic products.

Annual turnover £500,000

Skilled workforce

 Potential contracts Wide product range

For further details please contact the Joint Receivers: Jonathan Birch or Roy Adkins, Grant Thornton,

Kennedy Tower. St Chads Queensway Birmingham B4 6EL Tel: 021 236 4821 Fax: 021 236 0257

Grant Thornton

#### CHRISTIE & Cº

The Sheridan Hotel King's Road BRIGHTON, SUSSEX

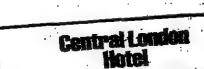
Prime seafront position in premier resort.

57 letting bedrooms and suites.
Restaurant, bar and function room. Substantial potential. £1,800,000 freehold Ref 409/0009

The Royal Norfolk Hotel The Esplanade BOGNOR REGIS, SUSSEX

The Principal Hotel in the Town 3 star rating. 51 letting bedrooms and excellent public areas. Separate staff accommodation block. £2,750,000 freehold Ref 409/0008

For further details please contact Chris Day or Paul Collins, Corporate & Acquisition Division, 50 Victoria Street, London, SW1H ONW. Telephone No. 071-799 2121.



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1 Services

The Joint Administrative Receivers offer for sale a well located central hotel convenient to the West End and other amenities:

Freehold title
 Recently re-furbished and equipped

49 Bedroom

♦ Bar and restaurant facilities
Interested parties should contact the Receivers' sole agents, Richard Ellis, Hotel Division, Berkeley Square House, London W1X 8AN, Tel: 071-829 6290.

Any other enquiries to the Joint Administrative Receiver, P.R. Copp FCA, FCCA or G.S. Rislan FIPA (ref: CJ).



8 BAKERSTREET, LONDON WIM IDA TEL 071-486 5888 FAX 071-487 8686 TELEX 267716 HORWAT.

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Mixture of 1-4 bedroomed properties (houses and flats). Gross income over £160,000 per amum. Small outgoings. Present valuation £2.4 million. Offer in the region of £2.0 million for the whole. Principals only need apply.

Tel: Mrs Hutt 0842 816262/811484, Fax: 0842 813074

The Joint Administrative Receivers offers for sale



In Receivership

Opportunity to acquire the business and assets of one of the largest independent toy manufacturing and distributing companies

Heavily promoted and well known brand name.

# 1988 Turnover £12 million. Significant order book.

Experienced staff.

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36

 Lessehold offices in Henley, Oxon. Leasehold warehouse in Abingdon, Oxon.

For further details please contact Nigel Vooght, Joint Administrative Receiver, Cork Gully, 9 Greyfrians Road, Reading. Berkshire RG1 1JG. Tel: 0734 500336 Teles: 848588 Fec 0734 607700.

Cork Stally in mitrational in the second of Compact & Lybered Debitte by the Institute of Charleted accountants in England

#### Biotechnology, Livingston Bioseparation Associates Limited

The business and assets of Bioseparation Associates Ltd., which has developed a process for extracting proteins from bovine blood plasma, are for sale by its received

• Purpose built 4,000 sq. m. leasehold factory in Livingston.

Advanced blood fractionation processing

Fully equipped laboratory and testing

 Successfully tested protein supplement containing antibodies for calves, lumbs and

 Cell culture medium under test. Potential for a wide range of other valuable

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For further information contact: Alan Jamieson, Price Waterhouse, 28 Drumehough Gardens, Edheburgh EH3 7RN. Tel: 031-225 4242, Teles: 727434, Fee: 031-225 5352.

Price Waterhouse



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going concern a fully equipped window blind manufacturer in the North West providing a complete range of interior windows blinds through a network of ed retail outlets.

> • Turnover in y/e31.789 £800k 5000 sq.fr. modern lessehold factory unit and.

1000 sq.ft. freehold retail outlet.

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Established 1980.

For further particulant, please contact the Joint Administrative Receiver, F W Bylor, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Tel: 051-236 8214. Fax: 051-236 0258.

**Ernst & Young** 

#### **GRAIN STORAGE FACILITY**

The business and assets of Group Grain Limited are offered for sale as a going concern by the Joint Administrative The principal assets include a 3.5 acre freehold site comprising:

# Flat store 11,000 tonnes (also suitable as industrial warehouse)

# Bin storage 16,000 tonnes High quality drying and cleaning

equipment Office accommodation

For further information please contact the Joint Administrative Receiver: Martin Page

KPMG Peat Marwick Corporate Recovery Holland Court, The Close, Norwich NR1 4DY. Tel: 0603 620481. Fax: 0603 623078.

#### PRINTING COMPANY FOR SALE

£250,000 Profit (in excess) 1988/89

£600,000 Profit (in excess) 1989/90

£750,000 Profit (in excess) Nett Assets of £1.7 million

M. million held on Bank Deposit **Elue Chip Clients** Ill health of Chariman and Sole Share Holder

stating price prepared to pay and terms. Write Box H6224, Flametal Times One Southwark Bridge, London. SE1 9HL

is reason for sale. Only principals need reply

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Successful, expanding and profitable business, Midlands based, specialising in distribution and export of commercial vehicle brake products.

1989 turpover £450,000 with significant growth potential within U.K. and overseas. For sale due to Directors personal encumstances. Full details available from Ashgates, 5th Floor, St. James House, Horsefair, Birmingham B1 IDB

#### **BURY ST EDMUNDS**



A45

34000f<sup>2</sup> operational food factory

A45

**Brookes Menswear Limited** 

The business and assets of Brookes, a men's

Written enquiries to MD Gercke FCA, Joint

fashion retailer, are available for sale as a going

· 4 leasehold premises, recently refurbished.

Administrative Receiver, Price Waterhouse, No. 1 London Bridge, London SE1 9QL.

Fac: 071-939 5566, Telex: 931709/934716,

Price Waterhouse

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ITY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS

S. D. SWADEN FCA and P. MONJACK FCA

IN THE MATTER OF

CITY LEGAL SPECIALISTS GROUP

Offers are invited for the sale of the business,

assets and goodwill of the above Group, well-established

as recruitment consultants and operating from

attractive leasehold premises in the City.

Assets include office equipment, valuable goodwill and a substantial customer base.

For further details, please contact: Leonard Curtis & Co, Chartered Accountants 30 Eastbourne Terrace, London W2 6LF

CONTRACT PACKAGING

COMPANY

The shareholders of a Midlands based contract

ackaging company offer the company for sale.

ft industrial unit with office

accommodation.

excess of £500,000.

\* Established customer base.

\* 1.6 acre freehold property with 43,000 sq

\* Plant, equipment, vehicles and stock in

\* Approximate turnover £4.5 million.

Interested buyers should write to: Box H6217.

Financial Times,

One Southwark Bridge, London SE1 9HL

**Loch Lomond** 

Editificited Planeaus Blast Company
 Two vessels, including world femous Maid of the Loch Paddle

Property (3.3 acres) Including jetly and shore front in prime

For further perdiculars and for an appointment to view, contact G. Ian Rankin CA, Coopers & Lybrand Deloitte, 100 Wellington Street, Clasgow Telephone 041-245-7932, Telex 775338, Facalatile 041-221-1330.

Ottars are instead for the entire share capital of Maid of the Lock Limited.

AUCTIONS

By Order of the Joint Administrative Receivers L. Hornan Esq. FCCA. and F Stansii Esq. FCA of Hacter Young and Partners. Re: Wood Industries (International) Ltd.

SAWMILL AND JOINERY CO.

EAST SUSSEX

Established Co. specialising in purpose made hardwood windows and frames, conservatories and

garden furniture. Lumber and machined profiles and

klin drying service. Skilled workforce operating from

8.4 acre leasehold site. TO 1989 — approx. £1.5m.

Offers invited for assets and undertaking on an ongoing basis.

All enquiries PJP/SMW

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&Lybrand Deloitte

atrictes potential for future development.

Coopers & Lybrand Deloitle is settorised by the justices of Chartered Accountants in England and Walts to corry on investment business.

stiton at Lock Lamond

Tel: (071) 262 7700 Fax: (071) 723 5059 Ref: SLOW

concern as a result of receivership. .

Shop floor area of 3,145 aq. ft.

• Turnover £600,000 per annumi.

Profitable business

(in Receivership)

2.7 acre site with expansion space

trained loyal workforce might be retrained on East Anglia's main artery and close

to East Coast Ports

offers around £1.7m to Colin Brookes Associates Tel 0733 232033

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successful manufacturine Packaging Company.
Turnover 1989 £1.4m ex VAT.
Anticipated turnover 1990
£2m ex VAT. All modern
machinery. Principals only, no time wasters please. Write Box H6228, Financial Times, One Southwark Bridge, London SE1 9HL

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#### **MARLBOROUGH**

3-star, 33 bedroom period hotel with conference facilities ent insoling remults

Price £2.3 million

lan Hary & Company 47 High Street Saliaba Wittshire SP1 2QF

Tai- 0722 27101 Fav: 5722 411803

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LOWNDES LTD 3 CHESHAM STREET WEALD GROUP LONDON SWIX END TELEPHONE OI 823 2080

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Established in 1912 the Company enjoys the world wide reputation of being the brand leader in the manufacture of cast phenolic encoker and billiards balls, being selected and used for every official professional and amatuer championship.

Over the past 7 years the plant and mathinery has been totally renewed with major new building extensions and renovations.

Price guide to include all plant, machinery and freehold property: \$3,250,000:00

in the first instance, please contact-Mr K Dawson, The Composition Billiard Ball Co. Ltd. Havannah Street, Bugiawton, Congolton, Cheshire CW12 2AG. Tel: 0280 278122.

#### FOOTWEAR MANUFACTURER FOR SALE

A respected manufacturer of men's and boy's shoes selling under its own brand and with substantial export business. Approximate annual turnover £12 million. Skilled workforce including craft welted shoe production. 4.5 acre freehold site. Business for sale at a significant discount to net asset value.

Please write Box H6231, Financial Time One Southwark Bridge, LONDON. SE1 9HL

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U.S. parent seeks to divest itself of profitable 5 year old U.K. subsidiary firm. Proprietary line of supplies and equipment for plastic moulding holders. Self-combined entity with outstanding track record, 114% average annual sales growth. 12% profits, price 2300,000 can be receptured in 36 months ideal opportunity for firm, individual or

Full perticulars despatched immediately to qualified buyers,

Contact: Mr Anderson, The Nickerson Group, 34 Accord Park Drive, Accord (Norwell), Massachusetts, U.S.A., 02018. Phone 010-1-517-571 2400. Fex 010-1-517-571-9728.

#### UPVC WINDOW AND DOOR MANUFACTURER

AND INSTALLER This established company has a reputation for high quality products and professional installation. The Company Operates from top quality premises and uses the finest equipment and systems. Sales are well apread with approximately 40% on commercial and an even split between trade and retail.

Current turnover exceeds £2 million with pre-tax profits in excess of £300,000 and net assets over £1 million.

Please write enclosing brief details of your terms and conditions.

Write to box, H6220, Financial Times, One Southwark Bridge, London SE1 9HL.

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We are probably the nearest business to the MI altrasted scenario the island of junction \$4 and within 5 minutes from the new Sheffield Airport. Ideal business and property business are to the best property furnished in this development size, comprising approx. POD on, it. No problem with planning as some parts of the buildings on part develop. Surches down mad proven by

ADDRESS: 200-860, SHEFFIELD SCAD, TRISLEY, SHEFFIELD, SPIED FECCH 1974,000 The Sudden Information contact Ma. Cooker Telephone 0742 445421

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Searches undertaken to identify and match potential targets with clients' specific acquisition criteria. Shortlists prepared and, if required, discreet approaches made.

For details call Roger F. Mortimer MBA, ACIS, on 046 274 2822.

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state of the art video manufacturing business including moulding machines, moulds, fully automated VO assembly and winding facilities. Extensive customer base at the professional end of the market. Highly skilled workforce in location with excellent distribution facilities. Write to Box H6218, Financial Times, One Southwark Bridge, London SE1 9HL.

PLASTIC BUSINESS eas current turnover circa 21m. Located South

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30 Moulding Machines up to 450 tonne
Rentad modern factory 25,000 sq.ft.
Part of larger manufacturing business
Good work force

Would salt custom moulders seeking to relocate to low cost region enjoying sustained growth. Flexible approach, to any business proposate,
Fax enquiries to: 0792 585830.

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Due to the retirement planning of the directors, both of whom are willing to give a substantial service contract, this profitable C.N.C/Tool making company is being offered for sale. An excellent company to suit an entreprensurial engineer. Principals only:

Write to Box H6207, Financial Times, One Southwark Bridge, London SEI 9HL.

Write Box H6182, Financial Times, One Southwark Bridge London SE1 9HL

SCOTLAND

West Coust Rural Area

Life & General Insurance Brokers Office with busy Building Society connection. No other brokers within 40 mile radius, Main surce frontage and freebod prop-erty, Gressing in excess of £100,000 p.s.

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ELECTRONICS MANUFACTURER

SALE/MERGER

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Please write to: H6222, Financial Times, One uthwark Bridge, LONDON, SE1 9HL

BUSINESS

MAGAZINE FOR

Circulation 6,000

(Gwent area). Write to Box H6229, Finencial Ta One Southwark Bridge, London SEI 9HL.

FOR SALE

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AND GOLF COURSE

PREEROLD

betantial Offers

Write Box F16192, Pinescial Tieses, One Scarticularis Science, London SEI 9NL

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# Questions which are left hanging in the air

William Packer looks at a not quite definitive exhibition of British figurative work

he Pursuit of the Real, the exhibition now at the Barbican Art Gallery (until July 8, then on to Glasgow: sponsored by Manchester Airport and The Paul Mellon Central is an authorized in the part and t port and the Paul Melion Cen-tre), is an anthology of modern British painting put together by the Manchesier City Art Gallery, where it was first shown. Glossed in its subtitle as "British figurative painting from Sickert to Bacon," its crit-ical intention to make a defini-tive survey is clear enough. traintention to make a defini-tive survey is clear enough.

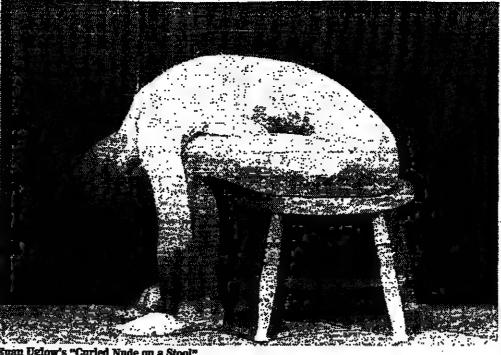
That title is a truism, for all artists pursue reality or they are not artists. Lucian Freud is quoted as saying, in effect, that the perfect painting can never be painted. "on completion of which the painter could retire." But the attempt must be made nevertheless, he sucbe made nevertheless, he sug-gests, in which the promise of happiness lies, to achieve a work that is true to the experi-

ence to which it relates — of seeing, of painting, of being alive and sentient in a living world. It is that truth that is the reality, no more, no less.
Artists are free, of course, to
work towards this essential
truth on any terms that seem to them appropriate. Here the common premise happens to be direct reference to the visible world, though by two distinct approaches, one of which is taken so far by Francis Bacon as virtually to constitute a third. The one is the close and direct scrutiny of the subject of the painting (Sickert, Spencer, Freud, Uglow, Coldstream, Wonnacott), with no mark made that does not bear direct relation to what is seen, for all

organised, simplified and abstracted. And no image can ever escape the paint from which it is conjured, quite. The other is the more openly subother is the more openly subjective and responsive (Bomberg, Auerbach, Kossoff, Bacon), the consciously intuitive response to the presence and experience of the model, constantly reworked until an image is more felt than realised in the paint, at once in sort a physical equivalent of the object and a true embodiment of the act of painting. ment of the act of painting. The relationship between these two approaches is more a continuum than a polarity, no one on quite the same point and several towards the middle, and shifting over time (Sickert,

Freud, Andrews, Lessore).
The twelve artists are repre-The twelve artists are represented each by a substantial group of paintings hung together. Certain relationships are established by direct propinquity, but none that are not already common knowledge—Freud and Bacon, Kossoff and Auerbach, Coldstream and Uglow, Lessore and Wonnacott. Others, perhaps more intriguing, are left hanging in the air across the full width of the gallery. To what extent does Stanley Speacer, in his realist aspect as painter of the portrait and the nude, prefigure Freud? Just how close does Lessore sit to Sickert? Where does Sickert sit with them all does Sickert sit with them all as grand old man of British painting in the 20th century? Is Bacon the odd man out?

The critical effect of such questioning in principle is rather centripetal than centrif-ugal – the show flies apart. We come away asking ever-



Euan Uglow's "Curled Nude on a Stool"

more questions instead of savouring even an answer or two. Sickert is a major artist by any count, if lately too much neglected, his influence upon later British painting general and profound where Spencer's or Bomberg's was personal or limited to a narrower coterie. The absence of anything to place him in his context, of Whistier, Nicholson, Gilman and Camden. Town, the Johns and the rest leaves the show treading leaves the show treading British figurative painting

from Sickert to Bacon, indeed, so what of that crucial period between the wars, of Monnington, Procter, Newton, Frampton, Munnings, Laura Knight and Ethel Walker? What of the North Prite the Scattley North Brits, the Scottish School that in all this time has School that in all this time has been so active? And after the war, can Coldstream's palely conscientions dot-and-carry truly stand alone for the vigour of the academic Sickertian tradition sustained by Greenham, Spear, Weight, Tindle, de Grey, Brooker and Moynihan? And what of sports such as

Tristram Hillier, or such notable reactions as the new real-ism of the kitchen sink? To criticise a show for not being another show that the critic might prefer, is unfair, but here we have promises that in the event cannot be delivered. British art in our period can bear of any number of partial and particular studies, and this is but one of them. Where it is suspect is in the false claim it makes, honestly intended no doubt but ringing untrue all the same, to fashionable idea of the exis-tence of a particular school of modern painting, but one of highly dubious critical credentials. The work is fine, but I doubt such a thing as a School of London, in its narrowest ense, has ever existed.

When the London-based

American painter R.B. Kitaj used the phrase in his intro-duction to *The Human Clay*, an exhibition he selected for the Arts Council in 1976, he put it to a very particular use, to embrace a catholicity of achievement and a creative achievement and a creative strength he felt were too little celebrated at home or known abroad: "A School of real London in England, in Europe ... with potent art lessons for foreigners emerging from this odd old, put upon, very singular place." What has happened since is that certain enthusisince is that certain enthusi-asts have taken it upon them-selves as a truth to be demonserves as a truth to be demon-strated, that a more closely identifiable school actually exists, with the most critically acceptable of figurative painters for members, along with their more obvious acolytes. The nonsense only comes when too much is made of it, as here with this leap from Sickert to Bacon, and the puta-tive connection the title of the exhibition suggests.

All this is not to say that this show is not full of fascinat-

this show is not rull of fascinating, beautiful and powerful individual works of art, well worth seeing for themselves alone and unlikely to be brought so conveniently together again in a long time. Its fault is merely that of raising expectations, only in leave them unresolved.

Ananisahvili clearly suffers from the Soviet practice of indulging dancers musically; their conductors follow them rather than setting a tempo that they have to follow. She does not breathe with the phrase and spin out a long

phrase and spin out a long legato line. Only in the last act.

when tempi were faster and stricter, did she show signs of

what a musical dancer she could become. Moule, on the other hand, is musical, and a

lovely dancer, who seemed to have a real rapport with her partner, the much improved Zaklinsky. Theirs was a more

satisfying performance.

John Conklin has set the bal-

let in the 16th century rather than in mediarval times. The most noticeable, if puzzling, feature of the lakeside settings

is a ruined observatory tower that increases in the with each scene change. As is often the

case, the third act, the bal-room, with its implausible, not to say hideous architecture, is

to say hideous architecture, is the least successful in design.

In any production of Swam Lake the corps de ballet plays as important a part as the principal dancers, and the Boston corps rose to the challenge, having been drilled, no doubt, within an inch of its life by Sergeyev and Dudinskays. This Swam Lake represents a bid for national, and possibly international status, and on

international status, and on the whole proves that the com-

pany deserves it in Boston itself, there is no doubt of the

production's success. The

Wang Center, formerly a pic-fure palace, seats 4,000 and has been packed at every perfor-mance. Stoom Lake, as ever, is

the ballet people want to see.

# Andrei Gavrilov

BRIGHTON FESTIVAL

Each year Glyndebourne invites the Brighton Festival for a couple of weekend after-noon recitals. Andrei Gavrilov, the Moscow pianist, filled the theatre on Sunday for an agreeably out-of-the-ordinary programme (sponsored by Ewbank Preece), of Skryabin, Ravel and Prokofiev, delivered but not at all unmusically. Rhythms dancedand lashed, the tone clanged but the textures remained clear. "Fingers ofsteel" is a cliché one can't hope to avoid with thismuscular planist (he is in his thirties), but the metal is of sterling nature. When the atorns subside Gavrilov can spin as adamant a melodic line as the new generation of Soviet baritones. The platform man-ner is friendly but abrupt. No waiting for the audience to settle: the no-nonsense attack immediately secures attentive silence. Little waiting, either, between movements or separate pieces. I wonder howmany rate pieces. I wonder howmany in the audience not familiar with the seven Skryahin Preludes of the first group were sure exactly when one of these chips of quick communication (the feeling not superficial but boiling very near the surface) finished and the next one began. The sensation of much emotioncompressed into a small space extended to Skrysmall space extended to Skry-abin's Fourth Sonata in F sharp, the second and last movement like foaming sun-

The short but satisfying

recital (only one encore, quite firmly) ended with the Eight Sonata of Prokofiev, a biggish sonata or Prokoney, a biggish work with a good deal of anxiety concealed behind a broad layout with room for lyricism. Just far enough removed from the earlier, "barbaric," naughty-boy Prokofley to explain whyGavrilov's palette here was less, not more, aggressive than in the other composers. The place of honour before the interval went to Ravel's Gaspard de la muit. One can imag-ine more "poetic" readings (the quotation marks are the give-away) but few with such a for-midable technique put to such midable technique put to such hair-raising use. Ondine the water-Sprite had claws. The gibbetlandscape was ghastly. In "Scarbo" the knives were

Music at this year's Brighton Festival has an East European restrant has an east sure that salart still to come as well are many more recitals, at the Royal Pavilion, at the Gardner Centre and elsewhere (altogether a generous and encouraging amount of chamber music), and distinguished orchestras from Moscow and Leipzig. The special attraction is the Polish State Opera of Poznan. During the present week they give, in the Dome, the UK premiere of Pendereck-i's The Black Mask, a Salzburg Festival commission of 1986 (Tuesday and Friday), and Chaikovsky Eugene Onegin (Thursday and Saturday).

Ronald Crichton

# Songmakers' Heine

On Sunday the Songmakers' Almanac celebrated the poet Heinrich Heine for the better part of six hours, counting the hour's interval after the first two-and-a-half. There was, certainly, a sense of "Yes, we have come through!" at the and. But for the Almanac format, Heine has two great advantages over some other song-heroes (and heroines) they have explored at length; his own life was deeply interesting — and splendidly, quotably recorded by himself; and his poems inspired a century's worth of good and great songs. The latter fact is easily explained. Heine wrote the The latter fact is easily explained. Heine wrote the right kind of verse (and a great deal of it) at the right time, in the right country — or at least in the right language, for this revolutionary spirit spent his later years prudently exiled in France. His verses are pithy, concise, laden with feeling but wry, liable to turn a mood around brilliantly in a single phrase. He began writing early enough for Schubert to discover him (for the great Schane. cover him (for the great Schear-nengesung songs), even before Mendelssohn and Schumann; but he lived through much of the Austro-German begemony in concert song, and his dis-dain for conventional six-andgraces ensured that his poems continued posthumously to

sound "modern."
Understandably, this Almanac exercise had a lot of spoken text — usually informative and rewarding, sometimes ten-dentious; but for once, the bits of vulgar psychologising were regularly put in their place by the far tougher intelligence of their subject (played by Gabriel Woolf with practised resource).

The Heine songs amounted to a feast. Again Graham John-son, the Almanac director and pianist, had found pairs of set-tings from different hands, and

Floridante

revived some by excellent composers which have lost out to still better (or just popular) versions. The Robert Franz settings here were particularly sympathetic.

The main courses had inevitably to be Schumann's op. 24 Liederkreis and his Dichterlieb. The former was assigned to the young baritons Jeffrey Black in the first half, who struck his best form later (beautiful in Liszt and Brahms); his Liederkreis songs were delivered in fairly broad terms, with too much hisster were delivered in larry broad tarms, with too much bluster at the top. Adrian Thompson was luckier, getting the earlier heavy beat in his tenor under control for a fresh, heartfelt Dichterliebe. The soprano Yvonne Kenny sounded lovely in everything she sang (everything steroids). in everything she sang (except, for some reason, Chalkovsky); the new Welsh bass-baritone Bryn Terfel made a colossal impression, above all in Schubert's "Der Atlas,"

Terfel is a singer of preco-

Terfel is a singer of preco-cious achievement and extraor-dinary potential. In this vocal company Richard Jackson's baritone was out-classed, but his more specialised talent made its intelligent mark it several songs (and hard work has done wonders for his old vocal frailties). As a quartet, the male voices were tolerably well-tuned only in the last of well-timed only in the last of their three songs. Johnson himself offered unlimited sym-pathy to his singers and many quick insights in his accompa-niments. In slower music he seemed to be distracted — many a Schumann song drifted archythmically targed a vacue a-rhythmically toward a vague, provisional close; never a Schumannesque device, though within a cycle he sometimes likes a provocative suspension to cue the next number

David Murray

# 63: Dream Palace

MUNICH BLENNALE

The Munich Biennale is full-scale Werther, in 1964. everything a showcase of new opera ought to be - firmly guided by Hans Werner Henze, in no sense a figurehead eminence but an active, attentive director, generously funded by the city of Munich and local industry, and offering access to industry, and offering access to all the performing and rehearsal facilities a young composer could possibly want. It is, in short, the kind of enter-It is, in short, the kind of enterprise that our own Gerden Venture could become given the level of funding that any new opers needs to do itself justice—for if the Blennale demonstrates anything, it is that mounting new opers in a half-baked penny-pinching way does no good at all to composers or their sudiences.

The current fastival is the second, and has already acquired in succis de sundale in the shape of Wolfgang von Schweinits's Patmos, staged by Ruth Berghaus, on which

Ruth Berghaus, on which David Murray reported has already reported here. Hans-Jürgen von Bose's 63:Dream Palace, worked up from Jemes Purdy's novel of the same name, is likely to be less con-troversial, but is an intriguing and tantalising piece of theatre all the same, flawed yet show-ing genuine theatrical flatr and containing passages of striking musical invention.

Von Bose flitted briefly

through the consciousness of London new music when the London Sinfonietta programmed one of his piece in the late 1970s; last year tha Ensemble Moderne brought another to the Bath Festival. That, a handful of broadcasts aside, has been that, yet. 63-Dream Palace is Von Bose's third opera, preceded by a one-acter, Blutbund, in 1874 and a

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In one sense, however, knowladge of his previous works is
by no means a prerequisite for
getting to grips with the new
opera, for Von Bose admits to a
sea-change in his style during its composition: "It forced me to become involved with areas such as jezz and rock music, which until then I had com-pletely neglected, and shook my musical view of the world." my musical view of the world."
Gertainly the range of musical references and the stylistic dislocations in & Dream Palace are startling to anyone expecting something in the mould of Von Bose's earlier bestitfully crafted, exquisitely, "beard" places, though the best music in the opera is to be found, bronkally, in those passages in which his refinement and sense of instrumental colour reassert themselves. It is a

our reassert themselves. It is a brave attempt to come in terms with Purdy's teeming, eloquent novel, however, from which the composer has distilled a taut and thoroughly operatic 63:Dream Palace tells the story of the 19-year-old Fenton Riddleway, raised in rural West Virginia, who on the death of his mother has been mysteriously lured to Chicago with his eight-year-old brother with his eight-year-old brother Claire. They squat his a derelict house (the "Dream Palace" on 63rd Street) and Fenton is picked up by the writer Parkhearst, who offers him a new life with the rich widow Grainser and her entourage of fawning gays. Fauton is pathetically torn between love for his preternaturally wise, religious brother and his desire to better himself — that the "better life" is a mirage, tawdry and exploitative, only sharpens the tragedy. The end is grossomely

mediciable - Fenton strangles his brother in the Dream Pal-ace: "Home, Claire, you're going home at last."

It is raw-edged, desperate stuff, presented in an utterly unsentimental way. There are surreally comic sections, driven with a manic intensity—a set-piece vaudeville routine for Grainger's acciptes, shorter satires in a bar and at a thereary group where Parshorter satires in a bar and at a therapy group where Parkhearst goes to resuscitate his flaky marriage. American popular styles inflittate the soure too. — not fast rock and jazz, but blues (many of the vocal lines in the early scenes could. Anye been lifted from Gershwin) and bluegrass fiddles, and they mingle with transfigured instrumental writing of great poise and power: the opening of the opens, strings tinged by accordion, and the close of the first half, a rapt trio for the two boys and the ghost of their mother, linger in the mind. In the end, though, the mixture does not quite cohere; there is too much, satire, the work is perhaps 30 minutes too level. too much satire, the work is perhaps 20 minutes too long. It was staged here by Jona-

than Moore (Turnage's collabo-rator on *Greek* at the last Bien-nale) with wonderful resource and comic sense. The cast was led by Philip Sheffield's gauche, doomed Fenton and Omar Ebrahim's shambling Parkhearst; the role of Claire was shared between two heathers Power and Alignat brothers Barry and Alistair Flutter, while Patricia Bardon offered an appropriately OTT cameo as the lush Grainger. The Ensemble Modern was conducted by Alicja Mounk. Not a fully achieved evening, but fascinating all the same.

**Andrew Clements** 

# Swan Lake

BOSTON BALLET

The Boston Ballet's new production of Swan Lake, unveiled at the beginning of May, is an important event, both in the company's develop-ment and in the annals of ment and in the annals of American-Soviet co-operation. Inevitably dubbed the "glasnost" Swan Lake, it was "conceived and produced" by Bruce Marks, the company's artistic director, and staged by Konstantin Sergeyev, director of the Vaganova Institute in Leningrad, with the assistance of his wife, the former ballerina Natalia Dudinalaya. The scenery, by the American designer John Conklin, was painted and built partly in Moscow, in the Bolshoi Theatre studies, and partly in Boston. The leading roles are being danced by guest artists

being denoed by guest artists from the Kirov and Bolshoi Ballets and by members of the Boston Ballet. The Soviet another but with dancers from the host company.

Sergeyev first staged Sucas Luke at the Kirov forty years ago, and his version is the one in that company's current rep-ertory. Much of the choreogra-phy is recognisably the same phy is recognisably the same as that first staged in its entirety in the West by the other Sergeyev, Nicholas, for the Vic/Wells Ballet in 1934, but with certain changes that reflect Soviet taste or, as some might say, lack of it. For the Western purist the most lamentable change is the excision of the mime passages; the sion of the mime passages: the Queen Mother's admonition to Prince Siegfried in Act I, Odette's narration in Act II, and Siegfried's betrothal to the impostor Odile in Act III.

Equally deplorable is the addition to the cast of the

court jester, who has no dra-matic function: his chief raison d'être is to spin endless pirou-ettes. In the USSII Odette and Siegfried live happily ever after. At Bruce Marks's insigafter. At Bruce Marks's insistence, the Boston version reverts to the original, tragic ending of the lovers' suicide, with an apotheosis showing them reunited in eternity. It has become the fashion in Western productions of Swan Lake (and Sleeping Beauty) to give the premier danseur a moody solo, and although there is none in the Kirov production, he has one here in fact he has two; one at the middle of Act I and mother at the end of the act to the first the end of the act to the first occurrence of the "swan"

The chief virtue of Sergey-ev's production is that it scorns Freudian interpreta-tions and other such impose tions, so that the principal dancers are free to develop their own characterisations without having to follow some irrelevant "concept." Its chief defect is musical, the Soviet predilection for templ that vary from the singgish to the funereal. At the performances I saw, the Bolshol ballerina Nina Ananiashvili danced with Fernando Bujones. a permanent nando Bujones, a permanent guest artist with the Boston Ballet, and Boston's Maris-Christine Mouis danced with Konstantin Zakinsky from the

Anamiashvili is a very gifted dancer with beautiful line. As an actress she is a little impas-sive, and I could not detect any chemistry between her and Bujones, whose most emo-tional moment came when his mother gave him a crossbow for his birthday.

#### David Vaughan

American Ballet Theatre. The hins's ballets in the middle of

Idomeneo, With Philip Lan-gridge, Vinson Cole, Edith Wiens. Setti Ozawa conducts the (289 9999, 499 1531). Kaidan Kaiin no Uma. Modern

Not all opera companies can afford to give the regular orchestra a night off and hire a baroque band when a baroque opera is being done. Nor, espe-cially in America, can all opera companies venture upon the full staging of a Handel opera in a full musical edition that

may be shunned by a Puccini-attuned subscription public. Hence the value of such things as the semi-staged, platform-presented Hogwood *Orlando*, from the Academy of Ancient Music: a road show that pleased audiences in America and in Europe.

And now the North Ameri-

can premiere of Handel's Floridante, which was presented by Tafelmusik, Toronto's baroque orchestra, to audiences in Toronto, Ottawa, and Berkeley, California. Alan Curtis conducted an international but largely Canadian cast and I heard it - and with delight in Berkeley. Delight was tempered, however, by the two disappointments. Cast illness and appointments. Cast liness and travel mishap had caused the "semi-staging" to be reduced to pretty well a straight concert performance; and that perfor-mance was given in Zellerbach Hall, a hig concrete bunker in which voices do not flower.

than Miss Robinson, restored the (unpublished) Durastanti versions of the earlier arias, which were thus having their world premiere. She dropped the last aria, "Si, coronar" ("tends to trundle" is Winton Dean's phrase for it), and replaced it with the show-stopping "Dopo notte," an aris from Ariodante, composed 14 years later, for the castrato Carestini.

It's on a larger scale than anything in *Floridante*, but in a way it seemed a dramatic counterpart to Elmira's "Note cara," a wonderful night-piece earlier in the score and in any case Miss Gal's flashing account of it silenced stylistic objection. Floridante, the Senesino role, was sung by Cather-ine Robbin with aplomb, finesse, and beauty of tone. Nancy Argenta as Rosanne, the seconda donna, was charming, and so was Ingrid Attrot as Timante, her lover.

Tafelmusik is not my favourite band, but Curtis often inspired it to render more than the surface of the music. His dramatic and musical pacing was sure. The opera moved well and it is a good work. --

I gave the first, pioneering modern revival (Abingdon, 1962) a warm welcome in these pages. Nearly 30 years on, we hear the opera with "period" instruments, in a much fuller text, and with expert, stylish

**Andrew Porter** 

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**FINANCIAL TIMES** 

#### ARTS GUIDE

OPERA AND BALLET

Royal Opera, Covent Garden.
The heavy, dramatically unimpressive 1989 production of *B* troutone by Piero Faggioni returns with Carol Vaness, Walter Donati, Eva Randova, and Sergey Lefferkus in leading roles, and Edward Downes as conductor.

br.
English National Opera, Coliseum, The return of The Marriage of Figuro, in Jonathan
Miller's much-revived production, brings back Valerie Master

son, Lesley Garrett, and Ethna
Robinson as ENO Mozartians,
and introduces Steven Page's

Count and Gregory Yurisich's

Figuro.

Bastille Opera. The newly inau-gutated commoversial opera house presents Janacak's mysti-cal Katic Kabanose in which semmon love is followed by remorse and guilt and a final tragedy, Ends Sat. (40011516). Paris Opéra, Succe Luke in Nureyev's chareography after Petipa and Ivanov with the Paris Opera Orchestra conducted by David Column and Michel Queval (47425371). Théitre de la Ville. Mais Ek and Ballet Colliberg are followed by Pina Bansch and Wuppertal's Tanthester with a performance inspired by Macbeth's tragedy (42742277).

Théâtre Royal de la Monnaie. The Monnais Opera in Janacek's From the House of the Dead. Syl-vain Cambreling conducts the Monnaie Orchestra. Staging by Peter Mussbach, sets by Johan-nes Schutz with Dale Duesing as Gorjancikov, Ronald Hamiton as Skuratov and Stafanie Rhaue

The Hague Muziektheater. Netherlands Opera production of Salome by Richard Strauss, with Eva-Maria Bundschuh in the title role. Hart-mut Haenchen conducts the Netherlands Philharmonic.

Tentro Alla Scala, The Scala Ballet Company in Birgit Cullberg's Signorine Giulia and Paolo Bortoluzzi's Ecosi via, with sets designed by the choreographer and music by Jacques Charpentier (80.91.26).

Testro Dell'Opera. Last performance this season is Verdi's Luisa Miller in Boris Stetka's production conducted by Roberto Abbado. Aprile Millo leads the cast. (46.17.55).

Testro La Ponice. A fine and much-applanded performance by baritone Renato Bruson in Verdi's Ernami, conducted by Donato Renzetti (alternating with Dario Lucantoni). Claude d'Anna's production is done in collaboration with the Regio at Parma and the Bologna Comun-

Opera. Götz Friedrich's Rheingold production has fine interpre-

tations by Hanna Schwarz, Lucy Peacock, Robert Hala, Matti Sal-minen and Ekkebard Wlashiha. Die Wulkitre also pert of the Die Walleire also pert of the Friedrich Eby cycle features Karan Armstrong, Ute Vinzing, Ute Walther, Warren Ellsworth, Matti Salminen and Robert Hale, Also in repertory: Don Giovanni, Die Zauberflöte, Madame Butter-fly and Tosca.

Opera: Faust is excellently sung by Josef Protschka in the title role. This week's highight Tristan and Isolde stars Gabriele kert. The two one act Rossini operas La Cambiale di Matrimonio II Signor Bruschino round off the week.

Opera. Die Fledermaus returns

Opera. Die Fledermeus returns with a strong cast led by Ludwig-Baumann, Pamela Coburn, Claudia Rueggeberg, Krisztina Laki and Helmut Lohner. Last performance of Madame Butterfty with Yoko Watanabe outstanding in the title role, Chieko Shirasaka, Neil Rosenshein and Richard Cowan. The new successful Das Rheingold production brings Wagner specialists Siegmund Nimsgern, Graham Clar, Hermann Becht, Manfred Schenk and Hanna Schwarz ingether and Hanna Schwarz together and is conducted by Dennis Rus-

Frankfust

Opera: Fire[New Sleep is jointly choreographed by William For-sythe, Laura Dean, Daniel Lar-rieu and Amanda Miller, Schoen-berg's rarely played Moses und

#### May 11-17

Aron, produced by Herbert Wermicke was very successful, when
it opened with Gerhard Fanstich
and William Cochren in the title
roles. Otello stars Rene Kollo
in the title role, Frederick Burchinal and Helena Doese. Further offered Rigoletto and three
Offenbach pieces.

50th anniversary season includes this week Mikhail Baryshnikov's Giselle and an evening of Twyla Tharp's choreography. Ends
June 30. Opera House at Lincoln
Center (362 6000).

New York City Ballet, With a
repertory still heavily steeped
in Balanchine, the company features a featival of Jerome Roba season that lasts till July 1. New York State Opera House, Lincoln Center (870 5570).

Washington Ballet. The mixed programmes include works by Goh, Christe, and Cranko set to music, respectively, of Scria-bin, Shostakovich, and Debussy. Ends May 19. Kennedy Centre Terrace Theatre (467 4600).

Tokyo Bunka Kaikan (Mon), Bunkamura, Orchard Hall (Thur) dance by the Datrakudakan troupe, with music by Ryuichi Sakamoto. Tokiwa-za (373 58759).

Handel began Floridante when he thought Durastanti would be his prima donna. When she cancelled the season, he adjusted what was already composed and completed the rest for the lower voice of Anastasia Robinson. Zehava Gal, a mezzo of wider range

#### FINANCIAL TIMES

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Tuesday May 15 1990

# A shot across Kohl's bows

The setback suffered by Chancellor Helmut Kohl's Christian Democratic Union in two vital state elections is of more than usual significance at a time when German unification talks are entering the home straight. The victory of the Social Democrats (SPD) in North-Rhine Westphalia and Lower Saxony, which together represent 40 per cent of the national electorate, may not be an absolutely reliable pointer to the federal elections at the end of the year. There can be no doubt, however, that it does reflect the concern of the voters about the consequences, particularly in the financial field, of German unification. The most surprising aspect of the elections was the defeat of the CDU during an economic boom in West Germany and so soon after its astonishing victory in the first free poll in: East Germany, both of which could have been expected to give Mr Kohl and his party a big boost. While the Christian Democrats could hardly have been expected to overturn the large SPD majority in North-Rhine Westphalia, their loss of Lower Saxony, admittedly as the result of only a tiny swing, is altogether more serious. As a result, the SPD has won a majority in the upper house of parliament, the Bundesrat, which could make life very difficult for the Chancellor.

The Bundesrat not only has to ratify the proposed treaty between West and East Germany, but can veto the federal government's legislation affecting the states' finances, with obvious consequences for Mr Kohl's plans for financing Ger-man unity. These projects, as man unity. These projects, as the election campaigns and results underlined only too clearly, have provoked fears that the West German tax-payer will be forced to bear too hig a share of the cost of helping East Germans to catch up with their Western cousins.

#### Deprived states

Both Mr Johannes Rau, the

plans for the La'nder to pro-vide as much as one-third of vide as much as one-third of the funding of German unity. In the case of Lower Saxony, with its long frontier with East Germany, the bill could be even higher, since it would lose the large special govern-ment subsidies granted at the moment to border regions by the federal government. the federal government.

#### Floating voters

Nor were overall economic forecasts for the year following unification calculated to bring the CDU support from floring voters, in spite of West Ger-many's current excellent economic situation. Unofficial Finance Ministry estimates, which have been circulating in Bonn, put the probable central Government budget deficit next year at more than DM100m, of which as much as half would come from West Germany, Though Chancellor Kohl and his Finance Minister, Mr Theo Waigel, have repeat-edly ruled out tax increases to finance unification, Mr Schro'der has argued that these promises are looking less and less credible as estimates of the costs of the whole operation continue to mount.

Mr Kohl cannot afford to ignore the shot across his bows which has been delivered by so large a section of the elector-ate. He will be obliged to move fast to repair the political damage done to the CDU and his own reputation and to restore public confidence in his unity lans. That may require holding all-German elections, instead of just West German elections, at the end of the year, so that he can exploit the strong support for the Chris-tian Democrats in East Ger-many, a step already hinted at by Mr Kohl.

The state election results The state election results have shown that, as the early euphoria about German unification evaporates, the German people of both East and West are beginning to take a more hard-headed approach to the

# Both Mr Johannes Rsu, the re-elected premier of North Rhine-Westphalia, and Mr Gerhard Schro'der, the new leader of the disadvantages. This greater realism may be all to the good, because the long-term problems, particularly in the economic and social fields, promise to be much more serious than at first predicted. Patents for Patents for Pharmaceuticals THE PROPOSAL by the European Commission to increase the period of patent protection for new pharmaceuticals raises as a result questions. This prediction is also difficult questions. The patents of patent protection for new pharmaceuticals raises difficult questions. The proposal description of patent protection for new pharmaceutices are beginning to take a more set on the rail-headed approach to the whole process and seeing more of the disadvantages. This greater realism may be all to sought since the mid-1960s to improve the good, because the long-term problems, particularly in the economic and its predicted. Patents for Patents for Patents for Pharmaceuticular products and first predicted. THE PROPOSAL by the European Commission to increase the period of patent protection for new pharmaceutices into profits whole such each of the disadvantages. This greater realism may be all to sought since the mid-1960s to improve the good, because the long-term problems, particularly in the company has belatedly sought since the mid-1960s to improve the good, because the long-term problems, particularly in the company has belatedly sought since the mid-1960s to improve the good, because the long-term problems, particularly in the company has belatedly sought since the mid-1960s to improve the good, because the long-term problems, particularly in the company has belatedly sought since the mid-1960s to improve the good, because the long-term problems, particularly in the company has belatedly sought since the mid-1960s to improve the model of the particular problems and the profits of the good, because the long-term problems, particularly in the company has belat

THE PROPOSAL by the European Commission to increase the period of patent protection for new pharmaceuticals raises difficult questions. This is not surprising. The plan - expected to take force by 1992 - does, after all, look look like a blatant piece of favouritism towards the already successful and highly profitable west European drugs

The Commission wishes to compensate for the long development times of new drugs, which frequently absorb as much as 12 years of the normal much as 12 years of the normal 20-year patent life. New phar-maceuticals require much more extensive testing than virtually all other industrial products. The trials on a new drug, required by increasingly tough government safety regu-lations often involve extensions. lations, often involve scientists studying how the product works in tens of thousands of

animals or people.

Behind this tortuous process is the praiseworthy ideal of safeguarding public health. But the drug industry contends that it should not be a martyr to this cause, through erosion of patent lives and the resulting competition from makers of off-patent generic drugs, which are normally much cheaper than the original

patented product.
Under the Commission's plans, patent extensions for new drugs would be made through a new legal instrument, a "supplementary pro-tection certificate". A drug company could apply for such a certificate after a new product had gained marketing authorisation in any EC nation. The certificate, issued by local patent offices, would add to the patent protection on a sliding scale, depending on the exact time of developm There would be a maximum effective patent life of 16 years. No certificate would run for more than 10 years.

#### Unique problems

Although treating the drugs industry as a special case might set an unfortunate precedent, the pharmaceuticals business does, indeed, face unique problems in getting its products into the market. A more obvious concern for the EC is that the medicines busi-

nass is already highly profitable. Politicians are more at home with pleas for special treatment from fading industries such as shipbuilding.

Against this, the drug industry argues that its profitability is at risk over the long term. This risk arises, says the industry, from higher research costs, increased competition from makers of generic drugs and tighter cost pressures on and tighter cost pressures on the national health agencies, the main paymasters for phar-maceuticals in Europe.

#### Containing prices

The US has already intro-The US has already intro-duced laws to extend patent periods for medicines, a change that helps the drug makers' case in the EC. The US legisla-tion was, however, part of a package that helped generic-drug manufacturers too. Thus the amount of data producers of generic drugs have to subof generic drugs have to subof generic drugs have to sub-mit when applying for author-isation on an off-patent prod-uct has been reduced. The inclusion of these two elements has helped to contain price rises in the US. Why have such ideas not been included in the

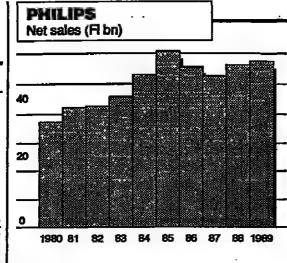
European proposals?

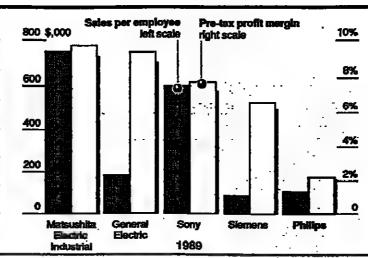
Equally, why has there not been more discussion about the underlying reasons for the long development times that are at the root of the industry's problems? Companies could do more to hone their own research programmes, so reducing the time between invention and a first request to a government office for mar-keting approval. In many coun-tries the state bureaucracy concerned with sifting through drug-registration data needs to be overhauled as well.

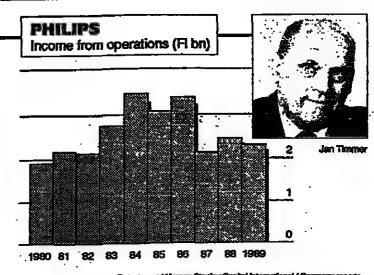
Some of these changes could be made a part of the plan to centralise elements of EC-wide drug approval, which is included in the 1992 pro-gramme. There should also be a close look at the safety rules

a close look at the safety rules on new drugs. In some cases — AIDS therapies, for instance — new and useful treatments may be taking too long to reach the market place because of caution over safety.

The broad objectives of the Commission's plans on drug patents should be supported. But its proposals provide only a part of the right framework for the industry in Europe.







Guy de Jonquières and Michael Skapinker on the array of problems facing the Dutch electronics giant

# he appointment of chief exec-utives at Philips of the Netherlands has traditionally been as stately and closely-uarded a process as a papal election. guarded a process as a papal election. But yesterday's announcement that Mr Cor van der Klugt is to retire a year early to make way for Mr Jan Timmer at the helm of Europe's largest electronics company had an unmistalable whilf of crisis about it. Mr Timmer faces a formidable array of challenges, of which the most urgent is to re-build the shattered confidence of shareholders. Until now, that has not been a high priority.

that has not been a high priority: Philips has long treated investors with lordly disdain and has been sheltered by elaborate takeover defences from the consequences of its mediocre financial performance However, even Philips could not ignore the financial markets' anger and dismay 10 days ago at the col-lapse of first-quarter operating income, which fell to FI 6m from FI

completely surprised the company's top management, which only weeks earlier had forecast a buoyant 1990.

At the very least, the debacle casts grave doubts on Philips' management and financial controls. Beyond that, it raises still more fundamental ques-tions about the 99-year-old company's hopes of remaining one of Europe's few world-class players in electronics

223m last year. What really shook shareholders was that the reverse

and high-technology.

Mr Timmer inherits a company
with FI 57bn turnover last year, 305,000 employees and operations in more than 60 countries. Under Mr van der Kingt, Philips sold off activities ranging from toothbrushes to defence systems to concentrate on four core businesses. These are consumer elec-

tronics, electronic components, light-ing and information systems. Philips is renowned for its excellent research and development, which has spawned innovations including videorecorders and compact discs. How-ever, it has consistently had difficulty turning invention into profits.

Business in

the Church

■ "One third of the people who commit crimes in soap operas are from the business commu-

are from the business commu-nity," says Professor Jack Mahoney, director of the Busi-ness Ethics Research Centre at King's College, London. He speaks as though programmes like Dallas are giving business a bad name, which it does not wholly deserve. Mahoney is a Jesnit whose

Mahoney is a Jesuit whose main lectures are in theology. He picked up his interest in business ethics from the Amer-

ican example: particularly the recruitment of non-executive directors who might introduce

un ethical dimension into boardroom decisions.

He goes round asking ques-tions such as how much is the life of one man compared to the timetable for building

the Channel Tunnel? And, on a more general basis; can a corporation be a moral person,

i.e. have a conscience?

Mahoney was talking yester-

day to a small group of people in Southwark Cathedral — the cathedral set in a business

community, as the Provost, the Very Reverend David Edwards calls it. The idea is that if the City is willing to

that if the Cary is witing to attend, such seminars on busi-ness ethics will become regular events at the Chapter House. The response yesterday was favourable, perhaps not least because Mahoney is a very engaging speaker. "The secret

of success in business," he said, quoting Groucho Marx, "is honesty and fair dealing. If you can fake that, you've

Market watch

got it made."

# A sudden fall from grace at Philips

operations are far too small and nar-rowly-based to survive in a ruthlessly Modern chip technology is vital to competitive market where even IBM faces a rough ride. It is also weak in telecommunications, having spun off its activities in a joint venture with American Telephone and Telegraph.

Mr van der Klugt has hinted that
Philips, recently in talks with Italy's
Olivetti, wanted to expand in computers by acquisition. That looks doubtful now, given the company's finantial difficulties. It seems more library. tial difficulties. It seems more likely that Philips will be forced to dispose of its information systems division or turn it into a joint venture.

The second problem area is electronic accordance to the problem area is electronic accordance.

tronic components. Here the dilemma is brutally clear. Philips is the world's tenth-largest semiconductor manufac-turer and is committed to staying in the forefront of technology. But to do so, it will need to continue making massive capital investments in an unforgiving industry where even the Japanese find it hard to earn profits. Last year, Philips' electronic compo-nents division lost Fi 125m.

nents division lost F1 125m.
Strict financial criteria would seem to argue in favour of getting out of the business. However, that would be a politically embarrassing admission of defeat for Philips, which has frequently lectured European Community authorities on the strategic importance of maintaining a viable semiconductor industry. It would also deal a potentially crippling blow to consumer electronics, the company's

maintaining a competitive edge in every type of electronics equipment. All the leading Japanese and South Korean consumer electronics makers are vertically integrated, with extensive in-house semiconductor operations. Philips believes that, with-

operations. Philips believes that, with-out similar capacity of its own, it would lack the critical expertise needed to design and develop new consumer products, One option would be to turn its semiconductor operations into a joint venture, if a suitable partner could be found. That would reduce what many industry, analysis fear will be an industry analysis fear will be an unending drain on Philips' cash resources. The disadvantage would be that such an arrangement could be cambersome to manage and would cumbersome to manage and would involve sharing control over vital technologies. In the past, Philips has viewed joint ventures as a graceful way of withdrawing from businesses.

If anyone in Philips can solve these problems, Mr Timmer appears to be the man. He has won respect, both in and out of the company, for his record in rescuing lame ducks, Under his leadership, Philips' consumer electronics division, once regarded by some as a lost cause, has been turned from a heavy loss-maker into the group's biggest source of profits.

Admittedly, this has been achieved with from the European Commission, which has repeatedly responded to

entreaties by Philips' well-oiled lobby-ing machine for anti-dumping action against Japanese and other Asian imports of products such as compact

disc players and video recorders.

How far Philips can count on such protection to insulate it in the future is open to question. Japanese and Korean companies are increasingly manufacturing products at plants inside the EC, apparently with little sacrifice of efficiency. Furthermore, levels of EC tariff protection on imports are due to be reduced as part of the current Gatt Uruguay Round

ade negotiations. But the make or-break issue for fut the make-or-break issue for Philips consumer operations may be its gamble on High Definition Television (HDTV), which is due to enter service in the 1990s. Along with Thomson of France, the company has kinntified HDTV as the critical technology for the future and is preparing to invest heavily on the still unproven assumption that it will win wideassumption that it will win wide-

Both Philips and Thomson are deeply involved in backing a proposed EC world standard for HDTV seams: a rival Japanese system. But even if their efforts succeed, they will still have to show that they can match their Japanese competitors in the market, by manufacturing technically innovative television sets at prices consumers are prepared to pay. The commercial stakes in lighting, Philips' fourth core business, are less

hair-raising. The company is the world leader and has often relied on the profits and cash flow generated by this business to hail other activities out of financial difficulties.

However, Philips' profits on lighting fell last year, and increased competition is likely to keep pressure on margins. General Electric of the US has set its sights on expansion in Europe and last year acquired a share Europe and last year acquired a share of Tungsram, the Hungarian light bulb maker. Other East European manufacturers are also eyeing export markets with greater interest.

markets with greater interest.

The crisis atmosphere surrounding Mr Timmer's appointment gives him a mandate to press ahead with change. The challenge will be to get the vast company beneath him to respond. In spite of its battering at the hands of Japanese rivals, and the successive restructurings of the past few years to management has often few years, top management has often had difficulty communicating a sense

of urgency to those down the line.
Philips' long tradition of management by committee has not given free ment by committee has not given free rein to individual entrepreneurial initiative, while its layers of bureaucracy seem more appropriate to a civil service department than a commercial business. That impression has been reinforced by Mr van der Klugt's penchant for public pronouncements on European policy issues.

The company has also been faulted for flinching from decisive action. It took Philips almost 20 years after the

took Philips almost 20 years after the BC diamantied internal turiff burriers in 1968 to reorganise its operations on a European basis, Furthermore, some of its recent rationalisation measures or as recent ranomansation measures have simply involved shufflingunder-employed middle managers from one part of the company to another. Mr Timmer's record suggests that he is likely to take a much tougher line.

Despite the decline in Philips' for-Despite the decline in Phinps: for-times, the company does possess some financial breathing space. Though rel-atively highly geared, it owns a wide range of fixed assets with a market value well in excess of the F1 245bm valuation on its balance sheet. If nec-essary, it could continue to fund its operations largely out of asset sales for some years to come.

operations largely out of asset sales for some years to come.

The company has already embarked on selling surplus property and wants to end or reduce-its involvement in peripheral operations including medical systems and white goods. The question for Mr Timmer is whether he can limit himself simply to trimming the fat - or whether he will be forces into wholesale dismemberment of

#### Correction

In the article "Sweden comes in from the cold", published on the page opposite on May 10, it was wrongly stated that Asea Brown Boveri had acquired Finmeccanica of Italy. Relations between the two groups are in fact confined to an agreement to create two joint ventures.

# Timmer: cut from a different cloth

different cloth than most Philips ton executives, writes Laura Raun.

He is more tough-minded, less bereater and possessed of a driet wit. The 57-year-old Philips' veteran is more demanding because he lass performed minor miracles within the company and expects others to do libraries.

Less brisily about criticism of Philips, Mr Timmer also learns from his mirabes. After a many bout with a couple of journalists several years to be cultivated a related style, punctuated with humour, to parry irksome questions.

punctuated warm irksome questions.
Philips' "old boys network", which

blurs lines of responsibility, was a frequent complaint of Mr Cor van der Kingt, the company's departing ena, e gene

But Mr Timmer may actually do something about it by demanding more individual accountability and

more quickly. He joined Philips in 1962 and took He joined Philips in 1963 and took charge of Ethiopian operations in 1963. He then moved up to regional manager for Africa and general manager of Philips in South Africa. In 1981 he was appointed president of Polygram, Philips' recorded music subsidiary.

He has been a hamber of the group management committee/board of

and outside Europe," he says.
"I want to get Scotland the opportunity to manage more continental money."

As for the danger of being

bowled out by some complex question on the Takeover Code

or monopolles legislation, he says: "Initially I will take advice from my members. But in due course I should be able

to present our case with con-viction."

If you start at the beginning, two hours spent browning through the register of British Communication Holdings 25,000 shareholders brings you

only to the lower "C"s: to David Cornwell, in fact.

Still, the browse reveals at July 6, 1989, the date of com-pilation of the register, share-holders included Gerald Abra-

holders included Gerain Abrahams of Aquascutum (who had no comment), Sir Campbell Adamson, chairman of Abbey National (who confirmed he still has his shares), and Christopher Chaizway, chairman of Crown Communications (who said that he, too, still had the shares and did

"not expect to see a penny").
Also on the register is Christopher Brasher, a colleague and
rival from Chataway's middle-

There is an immensely var-

ied group of institutions, rang-ing from the Bath Steam Laun-

MA lady buys male and female parrots, but by the time she gets them home has forgotten which is which. After careful observation of their behaviour

ogether, she identifies the

board collar round its neck

says the parrot. "I see she caught you at it too."

to remind her. The next day the vicar comes to tea. "Aha,"

male and sticks a white card-

distance running days.

dry Co Ltd to the British

Journal of Experimental Pathology

As sick as a...

Big names

Many investors and analysts give high marks to Mr Timmer, who is credited with turning around the loss-making consumer electronics division. He is seen as almost

single handedly pulling Polygram out of the red and putting it in the black. Commented one US institutional

investor in Philips: "I am hopeful that a more aggressive and more open management will prevail. I' hope they will take advantage of the opportunities in Europe, all of Europe."

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# **OBSERVER**

raised could be substantial. Note, however, that this act of charity applies only today.

#### Kubelik

 After 41 years in mid-imposed strile, the Casch conductor Rafael Kubelik was back in Prague at the weekend for the opening concert of this year's Prague Spring Festival.
Kubclik founded the Festival
in 1946 while he was chief conductor of the Czech Philharmonic. When the Communists came to power two years later, he and his wife and child fled

the country with just two suit-cases and the violin that had belonged to his father, Jan Kubelik. He vowed never to return until Czechoslovakia was a free country again. So Saturday's concert was an emotional occasion. For Kubelik, now 75, it was a dou-

ble triumph, because he was conducting his first concert since 1984. After a long and distinguished career, including three energetic years as music director at Covent Garden in the 1950s, he was forced into premature retirement by increasingly painful bouts of arthritis. His last concert in Munich had to be cut short in the middle of a performance of Bruckner's Ninth Sym-

The announcement that he had agreed to conduct his old orchestra in Prague was there fore treated with some appre-hension. But Saturday's rous-ing performance of Smetana's My Country found Kubelik full of his old vigour and inspi-ration. He is now being urged to extend his comeback.

■ The Stock Exchange has per-suaded over 40 of its member firms to donate 1p for every 50 shares they trade, and 1p for every £1,000 worth of gilts to the Thames Telethon later Political Scot James Provan, until last year the Conservative MEP for North East Scotland, has been this month. At average daily trading of 370m shares and around £170m in gilts, the sum headhunted to run Scottish Financial Enterprise, the body



#### "We'd like you to agree to a polygraph test, Mr Heseltine."

set up four years ago to pro-mote the Scottish financial community. Which is surpris-ing, since he has no previous eonnection with firmnoc. Provan will replace Jack Shaw, a former partner in Deloittes, the accountants, who built up SFR from scratch when the impending Big Bang made Scottish financiers four they would be left out. Shaw was well known in

something else.
Provan, who is 53, believes

Shaw was well known in Edinburgh and Glasgow and able to get practically every member of the Scottiah financial scene to join SFE. In the eyes of the outside world, he virtually personifies it, though he has built up a staff of 11.

Now he feels he should do comething else

his 10 years in Strasbourg will be useful in the political lobby-ing that surrounds the enter-prise. He also hopes to open the eyes of more SFE members to the European Community, pointing out that, for most of them, North American links still overshadow continental

"There's a profound igno-rance of the EC both inside

#### **LETTERS**

#### Nuclear pros and cons

From Mr I.H. Gittus. Sir, Professor Colin Robinson ("Cleaning up the nuclear debate," May 9) advocates a period of debate, probably best started by a green paper, to prepare the way for the mid-1990s review of nuclear power promised by the Energy Secretary. I agree.

He says that the decision on whether or not to resume ordering nuclear power sta-tions should be based on a proper appreciation of the pros and cons and not on "vague statements." Here again I agree we need to calculate the cost of the millions of turnes of carbon dioxide, which, by burning coal to produce energy, we dump in the atmosphere. We need to calculate the cost of acid rain. We need to calculate the cost of nuclear waste repositories and of the impact of nuclear power and fossil fuel upon public health

We in the nuclear industry have some of the information that will be needed and we are working to broaden our knowledge, it is possible in principle to put a total price on energy, whether nuclear, fossil or renewable and I tirge that this should be done to give a basis for a logical decision about the mix of fuels appropriate for the United Kingdom. J.H. Citius, British Nuclear Forum, 22 Buckingham Gate, SW1

#### The social resistance factor

From Mr Tim Johnson.
Sir, As one of those small businessmen whose letters to your paper have shown acepticism about the policy, I can-tainly welcome the Bank of England's attempt to explain why high interest rates should bring down inflation. Bringing the arguments out into the open means they can be exam-

The Bank's model shows that after four years of a 1 per cent. rise in interest rates, gross domestic product is down by 1 per cent and investment is down by 3.2 per cent, all for a mere 0.7 per cent reduction in the retail price index. Do you need much more to explain the endemic stagnation and under-investment in the Brit-

tsh economy.

How much do you add to inflation to allow for workers, businessmen and money-lenders applying their ingenuity to trying to avoid the implica-tions of this vicious circle? Is not the supposed long-term gain in inflation wiped out by even a small allowance for this social resistance factor -something which academic economists seem unaware of,

but small businessmen under-stand very well.

The way to break the vicious circle is by first setting interest rates at a low level. How long before some government is brave or desperate enough to

#### Television reception from satellite and all the other signals

From Mr John. R. Forrest. rout hir John H. Forest.

Sir, I was disappointed to read that Christopher Dunkley ("Forward into the past with satellite," May 2) had not received good quality pictures from his RSR catallite received. The pictures and sound are in fact stunningly good and a substantial improvement over terrestrial or satellite PAL when the satellite receiver is properly connected to a mod-ern television set through its

ern television set through its "peritel" connector.

This improvement is not seen, of course, if the PAL output from the satellite receiver is used and fed into the aerial socket of the television, since the conversion from MAC to PAL gives signals of no better musitive than present PAL. quality than normal PAL Your readers neight wish to be aware, however, of the even-worse situation which probe-



bly occurred in Mr Dankley's e and which may become

were that the quantities experted to the EC were con-sidered to be "de minimis." No

representations were made by the Community industry for favourable treatment of US

companies taken over by BASF and Hoechst.

and Boechst.

Indeed, a long association with the Commission's antidumping services convinces one that their decisions have always been based on factual and objective criteria rather than on the pleanings of the inbrested parties for special treatment. This is also demonstrated by the fact that antinamping measures have been applied in the past on imports from foreign subsidiaties of Community companies.

Again on synthetic fibres, Professor Messerlin omits to mention in his letter that the restructuring agreements in

restructuring agreements in

talevision sets are being used as the display device for video

ously complemented rather than conflicted with competi-

tion policy.
The inevitable conclusion

The inevitable conclusion must be that Professor Messerlin's contribution to the debate on the links between anti-dunging and competition law merely reflects his lack of understanding in this field, though this is a tendency which is increasingly found in academic circles. If he really considers that Article VI of the Gatt should be abolished, then he should say so openly and explain why.

#### ters and compact disc vide

stional advice is Uniess prosessional advice is taken on how these various aignals are combined at the input to the television set or VCR, serious degradation of some of the signals added is likely. This would account for the "graininess and occasional electronic ratio"

electronic rain."

I hope Mr Dunkley gets a chance to see and report on some of the BSB programmes on the superb wide acreen talevision receivers which will shortly be available. This takes domestic television very close to the cinema viewing experi-

mce.
John. R. Forrest,
Director of Engineering,
Independent Broadcaring

Away with

Punch and

Judy politics

From Mr Dougles Dale. Sir, Bravo Mary Georghicol

Sir, Bravo Mary Georghicol (Letters, May 9).

In the mid-1970s I became disgusted with the House of Commons and called it a place of Punch and Judy politics. Since we have been privileged to see Prime Minister's Question Time on television, I have realised how apt that description was.

tion was. In 1979 I decided to ignore

the wasted vote printer and put my cross against whichever candidate was committed to the introduction of proportional representation.

If the House of Commons reflected the political wishes of

restected the posterial wishes of the nation, we could never again suffer from the evils of either a far-left or far-right minority government and the majority of the British people would live under policies as

near as is possible to what they

If the whole electorate is spread out in a political spectrum from left to right, we should get, with PR, a government representing the views at

the centre of gravity of the

strip.
By definition, such a govern-

By definition, such a government would give the lowest total aggravation to the whole hody of voters.

If the Labour Party would sacrifice its now buoyant hopes of the excessive power of a minority government under our first-past-the-post system, we could have, within two years, a government committed to the introduction of Pft.

This would bring an end to the excesses of minority governments and to a House of Commons in which Punch and Judy shame the nation with their childish entertainment. Douglas Dele,

# Anti-dumping and competition law in the EC necessary in order to deal with substantial excess production capacity in the Community due mainly to subsidies granted by each of the member states. Since a flood of low-priced dumped imports would have be made to restrict a process, anti-dumping policy in this instance obviously complemented rather reason why no anti-dumping measures were applied in the case mentioned in the article

From Mr J.L. Junet.
Sir, Professor Messerlin's reply to criticism of his views. on the relationship between anti-dumping and competition law in the European Commu-nity (Letters, April 18) ade-quariety demonstrates that he was merely attempting to make bricks without straw in-his article ("Community rules on a collision course," Febru-

a salta (2)

Presumably, the European Commission could easily refute his latest apologis if his views were considered serious enough to merit a reply, Thus, even a laymen will appreciate that cases which were between that cases which were between one and four years and tabe twinged and he omits to mention that in the nine abundant case, the plywood case, the titanium and wood paip cases and previous cament cases, no anti-dumping measures were applied, or that plasterboard was a regional case concernity only Ireland. As far as the synthetic fibres

fied to the Commission's com-

From Mr R.D. Garvin. From Mr R.D. Garvin.

Sir, There has been much criticism of the extra costs which will be thrown on to companies which sponsor occupational pension schemes as a result of the requirement for retail price index indexation of beautifus both in defaurants and increases to pensioners are in effect cheating their members by reducing their benefits while in payment.

It should be recognised that benefits both in deferment and

while in payment.
I believe that such criticism is unfounded and arises because inflation has undermined the "honesty" of many commercial transactions. For example, the Government has borrowed huge sums which will be repeid in devalued pounds at a later data. Simi-larly, pension schemes which do not provide index-linked

if inflation were aliminated. pension schemes would not reduce pensions while in pay-ment. Moreover, most actuarial models indicate that there is likely to be little difference between the cost of providing flat pensions in a world with-

Extra-costs criticism of pensions Bill unfounded out inflation and the cost of index-linked benefits in the

real world. Consequently; exities of the relevant sections of the Social Security Bill should appreciate that the "extra costs" imposed on final salary schemes are not really extra costs at all. The really extra costs at all. The Bill is simply preventing the pension scheme trustees/com-panies profitting from the moni-ious effects of inflation. R.D. Garvin,

explain why.

J. L. Juvet, Director General,

Garvin & Co. 47 Radway Close, Redditch, Worcestershire

#### Lord Acton: absolutely and accurately

From Mr John Batten. Sir, I am sorry to see your distinguished columnist Joe Rogaly joining the long list of people misquoting poor old

Lord Acton ("Parliament that power tends to corrupt - absolute power, of course, tending to corrupt absolutely.

At the risk of being pedentic, John Batten, what he actually noted was 39 Cornell, SCI

Douglas Dale, Birch Crest, 91 Hilderstone Road, Meir Heath,

#### Community Charges: how the knitting got into a right old tangle

From Mr Michael Gregory.

Sir, Paying community charges is had enough. Try advising on them. When you have to look at the legislation (as I do advising an association of 49,000 members) and you examine how it can about the property of the legislation of the control of the con examine how it came about, you realise why virtually every aspect of the new system for financing local government has been a mishap. The exercise was simply slipshod.

The thorough-going change to the longstanding rating system was bound to throw up.

tem was bound to throw up baskets full of anomalies. It therefore needed to be tackled in a workmanlike manner. However, instead of thinking it out first in detail, foreseeing the problems and quirks and fashioning the legislation accordingly, our lords and mas-ters outlined the principles and methods of their reform in a green paper, Paying for Local Government, introduced a bill which was skin and bones and extemporised from then on.

The general policy was to get the skeleton measure (the Local Government Finance Act 1988) through and to put the meat on afterwards. Anything awkward could be swept under the carpet and dealt with later by regulations. So an Act of 179 pages was passed with one in every five, on average, giving

powers to ministers to make regulations. The knifting then got into a right old tangle.

The resulf is that it is almost impossible to find, let alone untangle, legislation hitting the pocket of every citizen in the land.

Even before the 1988 Act

Even before the 1988 Act came into force on April I, it was substantially changed by some 35 pages of amendments in the Local Government and Housing Act 1989. Then, in the last few months before the new system started, ministers churned out regulations like sausages from a machine. But in the busile to get subordinate legislation in place to make the new system workable by April 1, some of the regulations were not equal to their task, either because of inherent shortcomings or plain mistakes. We are left with another Act and regu-lations forthrightly amending the principal Act and also reg-niations amending regulations amending the Act.

There is of course a legiti-mate role for subordinate legislation where, for instance, figitems may need to be changed from time to time, but it is not the place for substantive legis-lation. Parliamentary rules ensure that primary legislation is given line-by-line scrutiny in

each House. Every member has

each House. Every member has a number of opportunities to table amendments and to deheta, approve or oppose each clause. Most regulations are not looked at by either House and frequently come into force within days of being issued. The important provisions for transitional relief against steep increases in the poll tax, compared with the previous rates, are provided by Schedule 7A of the 1968 Act. But you will not find it in the Act. It is tucked away as a schedule within a schedule of a completely different Act (Schedule 5 of the Local Government and Hous-Local Government and Housing Act 1989). When you find it, the trouble really starts. It is not only incomprehensible to the standard human mind, but it has been extensively amended by subsequent regu-

The folk do not like the "poll tax" (personal community charge), but at least much of the population have been spared domestic rates. The greater mischief is the standard community charge. This is payable on domestic prop-crty which is nobody's sole or main residence. It can be (usu-ally is) twice the poll tax. Reg-ulations have tried to tackle some, but by no means all, of the problems this weird levy produces, and to draw lines between domestic and rateable business premises when some business is carried on from home sweet home. All of this should have been thought out before a bill was presented to

As well as trying to keep the lid on the amount we all have to pay in unity charges and the new non-domestic rates, regulations have tried to deal with a hundred and one not-so-special cases, such as holiday lets, bed and breakfast, historic houses open to the public carhouses open to the public, car-avans and empty houses. A problem that has also had to be solved is that domestic rateable values are used in other legislation to determine issues other than domestic rates. abolished, being went the measure for, for example, water rates. The solution offered is none too helpful. The new privatised water companies have been given the advice the judge gave to an aged defen-dant he sentenced to 10 years

When the accused protested that he was already 70 years of age, the judge told him: "Do the best you can."
Michael Gregory, 52 Colle Bell Beart 63 Golly Hill Road

#### FOREIGN AFFAIRS

# The Soviets spring a trap

Robert Mauthner discusses the political hurdles facing talks on German unification

able in its original form, particularly for a political leader facing a vital general election at the end of this year.

ne of the advantages of

waiting 45 years after the end of hostilities

before sitting down to discuss a peace settlement is that

many mistakes, made in the immediate and emotional after-math of a war, can be avoided.

It is now widely accepted that the Treaty of Versailles, by bringing Germany economically to its knees through the

imposition of exorbitant repa-

rations and amputating it of

territory with large German-

speaking populations, made a substantial contribution to the

rise of Nazism and all the sub-

sequent misfortunes which

That kind of error will not be repeated at the so-called "2 plus 4" talks between what are

enporarily still two Germanys

and the four Second World

War allies — the US, the Soviet Union, Britain and France —

for obvious reasons. Germany, though defeated in war, is now

by far the most powerful country in Europe and is com-pletely integrated in western

accurity and economic systems, through its member-ship of Nato and the European

Community.

Yet there are still ways in which the four, with their residual powers in Germany,

could provoke a new "Ver-sailles complex" and a dangar-ous nationalist backlash in

Germany. That would surely happen if the Soviet Union

were able to impose its pre-ferred solution, involving an extension of four-power rights for a transitional period.

It is not that Moscow has

h is not that Moscow has shown a lack of conciliation. Mr Eduard Shevardhadze, the Soviet Foreign Minister, positively bent over backwards in his speech at the first ministerial 2 plus 4 meeting in Bonn at the beginning of this month to back the Germans' right to self-determination, and to

self-determination and to express his confidence in Ger-

many's commitment to democ-

racy and peace.

His proposal to allow the unification of the two Germanys to go shead, while putting off for a transitional

ting off for a transitional period a settlement of vital "external" questions, such as German membership of Nato and the termination of four-power rights in Germany, was even initially welcomed by Mr Hans-Dietrich Genscher, the West German Foreign Minister. It was, after all, the first official Soviet acceptance that unification could take place as

unification could take place as soon as the two Germanies had

concluded an agreement.
As was quickly realised by Chancellor Helmut Kohl, however, the proposal contains a trap which makes it unaccept-

overtook Europe.

Just at the moment when Germany is about to become unified as a fully independent country for the first time in nearly half a century, it is being asked to accept shackles on its sovereignty for another five years or so. During this period the wartime allies would retain their legal rights, Berlin would remain a four-power responsibility and the country would remain divided, at least for military purposes, between Nato and the Warsaw

Indeed, the Kremlin is probably calculating that, with the growth of neutralist sentiment in a united Germany, coupled with further progress in arms

a fertile terrain for a renais-sance of the kind of nationalism that everyone, not least the Russians, wants to avoid. Yet, important as they are,

these cannot be the only considerations in a negotiation as loaded with history and as pregnant with national sensitivities and prestige. The Ver-sailles factor must be borne in mind, not only in the treat-ment accorded to Germany, but also to the Soviet Union. apart from East Germany by far the most vulnerable of the six participants in the 2 plus 4 talks, in spite of its legal posi-tion of victorious occupying

After the immense suffering of the Russian people at the hands of Nazi Germany during the Second World War, the fear of a rensscent and unshackled

After the immense suffering of the Russian people at the hands of Nazi Germany, the fear of a renascent Germany is more deeply embedded in the Soviet psyche than that of virtually any other nation

control negotiations and the progressive creation of a pan-kuropean security system, the question of German member-ship of Nato would no longer be relevant after five years. There are thus two good rea-

There are thus two good rea-ma for Bonn and its western partners to reject the Soviet plan in its present form. The first is that, by Mr Shevard-nadze's own professed stan-dards of self-determination, an independent state such as a unified Germany should be free to opt for the alliance of its choice.

Since, under the constitutional procedure chosen, Rast Germany will adhere to the Federal Republic of West Ger-many, there can be no doubt about the nature of that decision. Second, acceptance by Germany of limitations on sov-ereignty, even during a transi-tional period, would keep alive the "German question" and would, therefore, risk areating

Germany is more deeply ambedded in the Soviet psyche than that of virtually any other

Moreover, following the "loss" of most of its East European satellites, the Soviet Union's legal and military rights in Berlin and Garmany are the last remaining symbols of its wartime achieven outside its own borders, which are unlikely to be abandoned without a stubborn rearguard

without a stubborn rearguard action.

While the Soviet Union commot stop unification, it still has the power to prevent a unified Germany from being truly independent by refusing to withdraw its 380,000 troops presently stationed in the GDR. If Moscow has recently soft-pedalled in the Vienna negotiations on the reduction of conventional forces in Europe, this may well be con-Europe, this may well be con-pected to a desire to make more first of all that the 2 plus 4

talks are progressing satisfac-

The likelihood that Mr Mikhail Gorbachev and his Foreign Minister will deliver an eign Minister will there an acceptable agreement on Germany is probably greater than it would be under any foreseeable alternative Soviet leadership. At least they have demonstrated a flexible and applications approach at the conciliatory approach at the outset of the negotiations.

For that reason, if for no other, Mr Shevardnadze's warning that the West should not drive Moscow into a corner because of the adverse domes tic reactions and consequent hardening of positions that could provoke, should not be dismissed out of hand as a mere negotiating ploy.

The May Day demonstra-tions against the Soviet leadership in Red Square and subsequent reports of discontent among the military are suffi-cient indication that Mr Gorbachev is not having it all his own way at home.

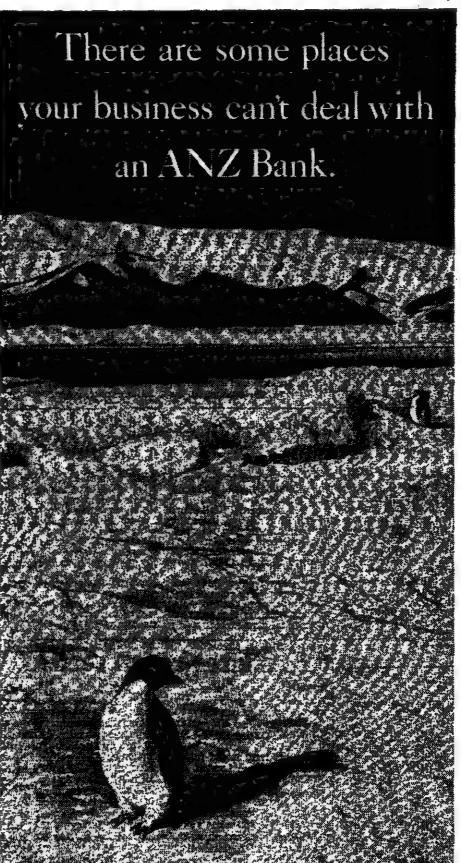
In the light of these develop-ments, the view that all the West has to do is to stand firm on its demands that a unified Germany should be free to join Nato may well be over-optimis-tic. Such a solution may indeed be in Moscow's long-term interests because it would anchor Germany firmly within a multinational alliance and thus precinde individual adventered inres. But, in this matter, at least, rationality tends to take a back seat to emotion and political expediency.

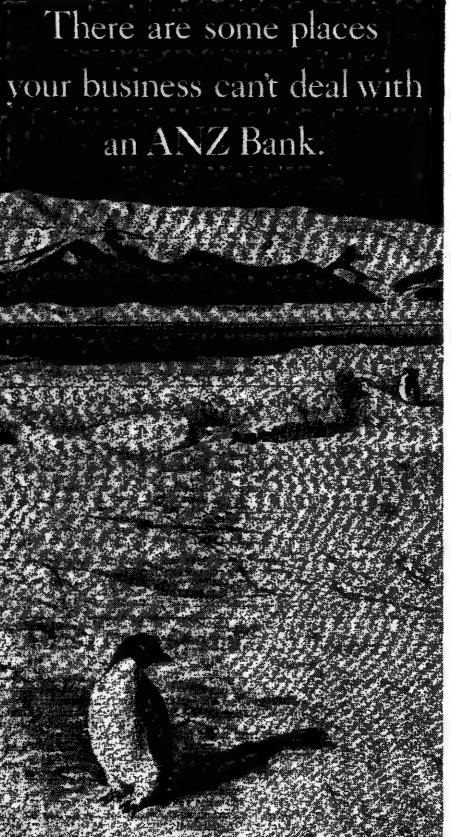
To overcome Soviet fears

and permit a conclusion of the 2 plus 4 talks by the end of the year, the offer of reasonable transitional arrangements for the stationing of Soviet troops in Eastern Germany will hardly be sufficient. Concrete assurances about Nato's nonaggressive military posture will certainly help.

President George Bush has aiready gone some way in this direction, by scrapping the modernisation of Lance short-range nuclear missiles and nuclear artillery shells based in Kurope, and offering the early opening of negotia-tions on short-range nuclear WESTODS.

Yet, for historical and psy-chological reasons, it would still be a traumatic development for the Russians to accept that a united Germany should be a member of Nato. To believe that large economic sweeteners alone will do the trick is to underestimate the magnitude of the other hurdles that still remain before Moscow puts its signature on a





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# **FINANCIAL TIMES**

Tuesday May 15 1990



**GERMAN UNIFICATION** 

# Voters air their misgivings in state polls



VOTERS in two West German states making up 40 per cent of the country's population gave an impressive electoral demonstration on Sunday of deep mis-

givings over German unity.
The Social Democrats' twin victories in state elections in North Rhine-Westphalia and Lower Saxony were strongly influenced by fears over the social and economic cost of the merger of the Germanys. Curiously, though, the polls' outcome may not slow unification – but could speed it up.

The reason is that Chancellor Helmut Kohl's loss of a conservative majority in the Bundesrat, the upper house of par-liament, threatens badly to disrupt gov-ernment policy-making in coming months.

Mr Kohl's main aim now is to clean

up political uncertainty – and to har-ness to his advantage the present strong conservative voting showing in

strong conservative voting showing in East Germany.

The Chancellor therefore is moving towards bringing forward, perhaps to the end of this year, the date for all-German parliamentary elections, previously mooted for 1991. At a press conference yesterday, Mr Kohl said for the first time that he could not exclude parliamentary elections for both East and West Germany taking place on December 2, the date of the West German general election. However he stuck man general election. However he stuck to his previous position, ruling out any postponement of the elections – a step

internal process of fusing the two German states has clear international

Last week, Mr Kohl rejected the Soviet Union's offer to "decouple" the external and internal aspects of unity — a few days after appearing to endorse

Holding all-German elections in December would pose great administra-

December would pose great administrative challenges.

But if support for such a move grows there will be growing pressure on the four Second World War victors and the two Germanys to find a speedy formula in the "2 plus 4" talks over a united Germany's military status. Mr Kohl's domestic political worries reflect the mortal position of the Bundestat which

domestic political worries reflect the pivotal position of the Bundestat, which groups representatives of the Länder (states). It has a veto over all legislation affecting the states' financial and administrative interests.

This includes tax laws, changes in the constitution and, crucially, the state treaty between East and West Germany which must be ratified in both states before currency union on July 2 can become effective.

The West German Social Democrats yesterday promised a statesmanlike approach to using their Bundesrat votes. The SPD now controls seven of

suggested by the junior Bonn coalition time in the Federal Republic's history partner, the Free Democrats.

Increased momentum behind the among the state governments. "Our aim that the Left has enjoyed a majority among the state governments. "Our aim is not to block things, but to help shape them," said Mr Johannes Rau, the victo-rious SPD Premier of North Rhine-

In concrete terms, this means that the SPD-run states will oppose plans by Mr Theo Walgal, the Finance Minister, to offload a large part of unity financing on to the Lander.

Both Mr Ran and Mr Vogel also promised stern opposition to Mr Kohl's proposals to cut company taxation in the next legislative period.

The SPD's ability to influence the

The SPD's ability to influence the monetary union treaty may be only limited, however. The Bundesrat is due to deliberate the treaty on June 22. It is unlikely that the new SPD-led Government in Lower Saxony will by then be in place to cast its vote in the upper

None the less, Mr Hans-Jochen Vogel, the Social Democrats' chairman, yesterday urged the Bonn Government to "lay its cards on the table" over the costs of unity. He protested that the SPD would officers of the provision that he termed was let kohi's leaving to carry out unification as "his private affair."

In the next few months of "2 plus 4"

talks, Mr Vogel's Social Democrats, in effect, will be seated as an extra guest around the already crowded negotiating

## THE LEX COLUMN Philips tries to

adjust its set

Philips has been promising for longer than most people can remember that it was going to get to grips with its deep-seated problems. So it is easy to dismiss yesterday's management reshuffle as just another, but more brutal, repeat of the same old mes-

Whereas investors in other well-managed European multi-nationals, like Royal Dutch Shell and Unilever, are rarely likely to receive unpleasant surprises, Philips has always, demanded much closer scrutiny. It is the sort of stock. where handsome returns can be made from short-term trading. But it is not one which can be tucked away with confi-dence by the long-term pension funds, if for no other reason than that it might not be around, in its present form in ten years time.

the hey question, which will remain unanswored for at least another year, is whether this shakeup will make Philips an attractive long-term investment once again. Given that the new chairman had already been picked, and his promotion been picked, and his promotion is just being accelerated, it is easy to be rather sceptical about the impact of the changes. However, the fact that after years of removeless financial decline, Philips has finally been stung into action by the stock market's response to terrible first quarter figures, anexests the management has suggests the management has finally woken up to its loss of

The record of the new chairman is impressive but so are the problems he inherits. Short-term the most pressing task is to overhaul the com-pany's financial reporting. This should be relatively painless Philips has always looked cheap on any other criterion but profits. It is salling at less than half its estimated breakup value, its multiple of sales to its lowly stock market capitalisation of Fig.2bn(23bn) must be some sort of record, and its dividend yield of 6 per cent seems sacred. However, there seems sacred. However, there is little reason yet to suggest that it is not going to get

Jermany

Sunday's ultimate horror an unambiguous West German electoral victory for a party whose name begins with S — did not cause the across-the-board panic in financial markets that might have been expected. Not only did the SPD's win in Lower Saxeny give them control of the Bund-

esrat; but its engineer, Mr

Marks and Spencer Share price relative to the FT-A All-Share Index

1979 81 83 85 87 89

Schroeder, is from the SPD's Lafontaine ist wing. So one might have expected some-thing more dramatic than the mere 10-basis point rise in West German beachmark bond yields, which left them still only just above the bottom end of their 8.5-9 per cent trading

As for the Deutschemark, its 2 psennig fall against sterling was more imposing; but, logi-cally, German corporate profit-ability is most at risk from the SPD, yet the 1.5 per cent fall in the FAZ Index was conducted in only average trading vol-

It looks as though the markets have not thought through the idea that Mr Lafontaine stands a chance of being Chan-

Marks and Spencer It is all too easy to become blase about Marks and Spencer's rock-solid earning power. Apart from M and S's little local difficulty in Canada, and the near-halving of Brooka Brothers' US operating profits to £13.6m, its annual results should be seen for what they are: another striking justification of the premum rating the group's shares enjoy. Results like last year's 14 per cent increase in pre-tax profits, to like last year's 14 per cent increase in pre-tax profits, to 2604m, show just how good a pay-back M and 8's is getting from recent very heavy capital spending, especially in information technology in the UK.

The best way to look at this is in cash-flow terms. Even after £880m-plus of capital expenditure aince 1988, plus the cost of the \$860m (£279m) it

the cost of the \$860m (£479m) it spent on two US chains, Brooks and King's, M and S has generated more than 2220m of free cash flow in the last full financial year. This performance clearly does not stem from buoyant trading conditions - like-for-like vol-ume growth was only 1.5 per cent in the UK and Bire - so

**MORGAN** 

GRENFELL

much as from strong margin improvements and better work-

improvements and better working capital management.

Last year's 11 per cent improvement in profits per full-time UK employee is clear enough. But given M and S's net debt is still about £360m, it is hard to explain last year's steep drop in interest payable to £9m unless better IT is keeping stock levels under much closer control. It now looks closer control. It now looks possible that M and S could make £750m pre-tax in 1991-2, even without very much from Brooks. M and S is a long way from going ex-growth, even in

Markets

The London equity market was far too busy celebrating Wall Street's latest surge to notice the producer prices and retail sales figures. But April's one percentage point rise in both statistics was too alarming to be ignored. In combina-tion, the figures suggest that demand is sufficiently strong at the moment for producers to pass their cost increases straight through to consumers. At the very least, the 6.1 per cent annual increase in producer prices - up from 5.1 per cent six months ago and the largest rise for seven years -ought to subdue optimism that the headline inflation figure was limited to "only" 9.4 per

But just as two weeks ago, the market was taking a determinedly pessimistic view of economic and political trends, its current vision is rose-tinted. its current vision is rose-tinted. Why should the equity market worry about inflation when gilts, which gained another half a point yesterday, are enjoying such a sustained raily? In any case, the retail sales increase may have been caused by the late Easter break; and the producer price figure owed a good deal to the indexation of excise duties.

Now the FT-SE 100 index has an ambied back over 2200 tradscrambled back over 2200, tradera might decide to draw breath. Share volume has been very thin, following on from a 10 per cent quarter-on-quarter decline in the first three months of the year. And there may be more had news to come ignore. The steady drip of

quoted company receiverships

continues - there were two more yesterday - and the cur-rent annual general meeting

season may produce more profits warnings even worse than GKN's. And if April's current

account deficit tops £2bn, even the Treasury will have run out

# Airbus denies Indian \$1bn bribe allegation

By Paul Betts and Richard Donkin in Toulouse

expected to take legal action this week in an effort to quash preliminary charges prepared by police in Bangalore, India, alleging that officials were bribed to buy twin-engined Airbus A-320 aircraft in a deal worth about \$1bn.

The charges arose out of investigations launched after one of the sircraft crashed in India killing 91 people in February.

The legal action by the four-

nation European aircraft con-sortium coincides with the start of a public inquiry in Bangalore into the crash.

Three former senior Indian
Airlines officials and a former
Indian government official are

named in the report accompa-nying the charges which allege that "considerable monetary consideration" passed between Airbus Industrie and highly dlemen to secure the deal A senior Airbus official in

Toulouse, France, said: "We are not concerned by these ellegations, which are related

AIRBUS INDUSTRIE is more to oriental fancy than

Airbus lawyers are preparing to file a petition to have the charges invalidated.

The controversy over the A-320 crash is turning into an increasingly difficult and costly dilemma for both Airbus and Indian Airlines, the state-controlled domestic carrier.

Airbus currently has four A-320 aircraft worth a total of \$160m lying idle at Toulouse, waiting to be delivered to Indian Airlines. The airline is also committed to buying a further 12 A-320 aircraft.

lowing the crash. Mr V.P. Singh, the Indian

Prime Minister, has decided that the aircraft should stay grounded until the end of the judicial inquiry into the accident. This could take another aix months.

Airbus and Indian Airlines

held their first meeting since

the crash last week at the the airline's request. Both compaarrine's request. Both companies are anxious to resume A-320 operations in India.

The grounding of the aircraft is putting intense financial pressure on Indian Airlines which is likely to need bailing out by its Government shareholder.

Airbus could invoke finan-cial penalties if the contract is broken but it has so far adopted a conciliatory approach because of the impor-

ther 12 A-320 aircraft.

Delivery of the new Airbus aircraft has been blocked by the Indian Government's decision to ground the existing fleet of 14 A-320s in India fol-

appreach because of the impor-tance of the market.
"India is a major commercial aviation market with strong growth potential", a senior offi-cial said. Airbus is currently negotiating the sale of its new A-340 four-engine long-distance aircraft to Air India, the Indian international line-current.

nternational flag carrier.
Airbus also warns that a rupture in its existing contract with Indian Airlines over the additional sale of 12 A-320s would have severe consequences in India's relations with Europe. Airbus is worried that the US is putting pressure

on India to try to win back

contacts between Airbus and the Indian Government, or between the Indian authorities and the member governments in the European consortium, including France, the UK, West Germany and Spain. Airbus officials believe that the situation can only be resolved by the direct intervention of the

manufacturers by using in part

the current controversy over the A-320 Bangalore accident. So far, there have been no

the direct inferrention of the Indian Government.

A prolonged delay in bringing back the Indian A-Res into service will have a knock-on effect on the cost and time needed to put the existing fleet back into airworthy condition and would complicate the delivery of new aircraft on order.

order.
Airbus officials also conceded it would be difficult to
lease the grounded A-320s,
although it would be easier to dispose of either by selling or leasing the four new aircraft

#### **UK** fines unauthorised Belgian broker

By John Thornhill

THE UK SECURITIES Investment Board has won an important battle in its attempts to stop unauthorised investment companies seeking business there while operating

outside the country.

The High Court yesterday granted injunctions to restrain Vandersteen Associates, a Belgian-based investment company run by British business-men, from making unsolicited telephone calls to investors in England and Wales and from issuing unauthorised adver-

. This is the first time that against an unauthorised investment business operating outside the UK.

Mr Justice Harman also Mr Justice Harman also ordered Vandersteen, which has gone into voluntary liquidation, to may 2214,000 (\$357,380) into court, giving investors a chance to make claims against this sam. At an earlier hearing, the SIB had already obtained an injunction against Vandersteen freezing £115,000 of this sum, which the commany had held in a the company had held in a London bank.

London bank.

Although the judge said his jurisdiction only applied to England and Wales he made clear that investors in Scotland and Northern Ireland would not be precluded from would not be precinded from making claims. The SIB said after the hear-

ing, however, that any claims would be complicated by having to deal with the company's Belgian liquidators.

The court heard that 31

investors in the UK had sent money to Vandersteen, either in response to unsolicited tele-phone calls from Belgium or to press advertisements. Vander-steen had promised to invest the money in traded options and futures. The SIB believe that there

may have been other investors in Vandersteen who have not yet made themselves known. The SIB also won a court order to obtain further information about Vandersteen's activities in the UK and to prevent documentary evidence from being tampered with or detroyed. Vandersteen was not

represented in court. Under the Financial Services Act of 1986, it is illegal for unauthorised investment companies to solicit business in the UK, but several such com-panies have tried to clude the rules by operating from over-

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ASSET MANAGEMENT

# Welsh steel plant closure signals slowdown

A NORTH WALES steel plant which is heavily dependent on orders from the vehicle indus-try, is to close with the loss of

1,125 jobs.

The closure of the Brymbo steel plant, announced yester-day by United Engineering day by United Engineering Steels (UES), the plant's owner, is one of the clearest signals yet that the gathering slow-down in the UK economy is starting to spread from retailing and construction into man-

ufacturing. UES is Britain's second largest steel producer and one of Europe's leading producers of special engineering steels, with 75 per cent of the UK market and 20 per cent of the continental European market.
Output at UES, which salls

61 per cent of its steel to the car and commercial vehicle industries, is 12 per cent down on last year, largely because our and truck orders have been hit by high interest rates.
UES said it was operating its
plants at only 75 per cent of
capacity, with its four melting

Europe.

after GKN, the engineering group which jointly own UES with British Steel, issued a profits warning. The closure, coming amid

Steel has been manufactured

shops working only 16 shifts a week compared with 18 and 20 shifts at plants in continental The move comes only a week

the continuing slowdown of demand from the car and construction industries, may renew fears voiced by opposition Labour Party MPs about the medium-term prospects for British Steel's plant at Ravenscraig in Scotland which had an extended production shutdown at Christmas.

on the Brymbo site near Wrex-ham since 1798. The closure comes just three months after UES announced the closure of FH Lloyd Engineering Steels, the last steel maker in the West Midlands of England, as part of a rational-isation of its plants to concen-

trate production at the lowest The Brymbo plant, which accounts for 20 per cent of UES' annual production of about 2m tonnes of liquid steel, has long been considered the

most vulnerable to a down Last year its return on net

Last year its return on net assets was 7.8 per cent, well short of the 20 per cent target for the group as a whole.

Over the past four years Brymbo, which had relatively old-fashioned production processes, has had only £8m (\$13.4m) invested in it. Production will be transferred to UET other main plants at Stocksbridge and Rotherham in Yorkshire which have had substantial short of the production will be transferred to UET of the production will be transferred to UET of the production which have had substantial to the production which have had substantial to the production of the production which have had substantial to the production of the production product shire which have had substan-tial investment to install low-cost continuous casting technology.

Ford profits down 28 per cent, Page 12; Commercial vehicle sales still declining, Page 12; UK economy, Page 10

# Japan plans 50% public investment rise

By Stefan Wagstyl in Tokyo

JAPAN is preparing plans to raise public investment by about 50 per cent over the next 10 years, compared with the last 10, in order to meet US

criticisms of Japanese economic policy.

During the Structural Impediments initiative talks, Washington demanded that Japan

The Japanese refused. When interim reports on the SII talks were published last month, Tokyo committed itself only to a vague promise to increase

It intends to produce a At intends to produce a detailed programme of planned increases for inclusion in its final report on SII in July. Japanese officials indicated yesterday that their proposals envisage a total budget for 1991-2000 of about Y400,000hn (\$2,531bn). Japan is likely to follow this

with specific year-by-year com-mitments to invest more on public projects.

These pledges will fall short of the US's original demands. But the Washington Adminis-tration is not expected to press its case to the point of risking another flare-up in relations with Japan

with Japan. President George Bush has made important conciliatory moves towards Tokyo – in-cluding praising the progress made in SII talks and removing

Economic Planning Agency yesterday began talks on the investment programme with 10 spending departments, including the Construction Ministry and the Transport Ministry, covering the contents of the Later the overall programme will be settled by the EPA and the Ministry of Finance.

Japan from a blacklist of countries singled out for suspected unfair trade practices.

The Japanese Government's

London apart, Europe's exchanges benefited little from the boom in the three main equity markets. Shares in Paris, Zurich and Frankfurt all

The US raily was less pro-nounced in the bond market, which had prompted Friday's stock market rally. At mid-day yesterday in New York, the Treasury's beliwether 30-year bond added 7/32 points to 101 13/32, yielding 8.61 points at mid-day yesterday. These bonds were auctioned Thursday at an average yield of 8.84 per cent. The gains were more modest for shorter maturities with the two year bond up 1/32 point to yield 8.5 per cent.

# attacked

# Secession moves

Continued from Page 1 vian Prime Minister, said he thought the danger of a Soviet economic blockade of the

republic had receded.

He said alternative oil sources were being arranged by the Soviet Government to replace the fuel that was not coming in from the blockaded refinery in Lithuania.

He said the talks due to start this afternoon in Moscow with representatives of the presidential council, the senior advisory body answerable to Mr Gorbachev, would be "about practical things like how to arrive at a government-to-government treaty" with Moscow.

# increase its public investment to about 10 per cent of GNP during the next three to five years from under 7 per cent in 1988. **WORLDWIDE WEATHER**

C-Cloudy Dy-Drizzle, F-Pair, Fg-Fog, H-Hell, R-Rate, S-Sussy, St.

# US shares reach record

continued from page 1 July. This took them above the psychologically important 2,200-level barrier for the first

The US rally added fuel to early strength in London, and this was sustained throughout the session. An unexpectedly strong rise in UK retail sales, underlining uncertainty over the pace of the economy's slowdown, was shrugged off, as was a rise in manufacturers' output

The dollar failed to recover from Friday's sell-off. At the New York midsession, it was quoted at Y152.80 compared with an early Friday high of Y155.20.



# **FINANCIAL TIMES** COMPANIES & MARKETS

Tuesday May 15 1990

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#### INSIDE

Crystal woes for the Emerald Isle



The sparkle may go out or more massey, accountry's largest employer, Waterford Crystal, carries out its threat to leave the country. The sparkle may go out of Irish industry if the Industrial action, now into its seventh week, has shut down the company's factory and management has hinted at moving production to eastern Europe if a settlement is not agreed soon. Kieran Cooke looks at the problems fac-ing a strife-torn and troubled group. Page 33

#### S&N suffers legal blow

Smith & Nephew, the UK healthcare and con-Smith & Nephew, the UK healthcare and consumer products group, has had \$63m damages awarded against one of its US subsidiaries for breach of contract and misappropriation of trade secrets concerning materials used in artificial joints. The news sent the group's shares tumbling to 106p, a 3p fall ex dividend, but \$8N plans a "vigorous" fight against the ruling. John Thomhill reports.

Fertile soll in Seandinavia



Anything to do with fertilisers ought to be tast-growing. But shares in the sector are not — a depres-alon hangs over the industry in western

Europe. Two Nordic groups, however, are still riding high. Finland's Kemira and Norsk Hydro of Norway, are the two biggest fertiliser mak-ers in Europe. Since 1980 they have been building up capacity in preparation for 1992. Page 28

Eighteen months and counting



it will be 18 months before the Washington-New York-Boston shuttle service run by Donald Trump (left) makes a net profit, the airline said yesterday. In the mean-time, it is up for sale — but there have been no

out mere have been no offers. The Trump shuftle, bought lest June from Eastern Air Lines for \$365m, has itsade continued not losees because of its heavy debt burden. However, it has recently started to cover its operating costs, Page 27

Bankers test Talwanese waters Japanese bankers are casting eager eyes

deregulated. Bank of Tokyo, one of Japan's largest banking groups, is in talks to open a representative office and smaller institutions are also exploring the possibility of a presence in Talwan. But authorities in Tokyo, wary of disrupting Japan's relationship with mainland China, are not happy with the moves, reports Gordon Cramb. Page 27

Market Statistics

Base landing rates Benchmark Govt bonds FT-A indicas FT int bond service Fisancial lateres

London trated options
London tradit, options
London tradit, options
Money markets
World commonly prices
World stock citik indices
Lift dividents assumed
B Lick trates

Companies in this section

Associated Energy Bank of Scotland CAE Industries

Air Liquide

26 Leisura Investments 34
32 Lap 31
30 Mecca 31
27 Merchant Manufactory 34
30 Mitsubishi Motora 25
Norsk Hydro 25
30 Pharmacis 26
27 Polity Peck Inti 32
48 Rhône Poulenc 26
38 Smith & Nephew 30
34 Stad Rotterdam 26
35 State Bk of S Aust 32
37 Trinkhaus 27
37 Trump Shuttle 27
30 Volkskas 37
32 Walker Greenbank 37
Wessaren 36 CAE Industries
Chryster
Coloroli
Dalwa House Industry
Dean & Bowes
Générale des Eaux
Glaxo
Harrisons/Croafield
Higheroft Inv Tet
Hoog Robinson
Holmes & Marchant
31
Mil

Chief price changes yesterday PARSE (PPY)
Pilene
Bonygoen 65
Coperex 58
Instal 35
Pulet 58
Pulet 58
Seb SA, 133
TORCYTO (Yman) Places
Badequark
Brown Boverl
Schering
Falls
DLM 251 + 11 709 + 15 830.5 + 95

ISM Philip Mortiu Philip Artel Comm Mylan Labe 365 + 11 272 + 15 78 + 5 136 + 8 325 + 30 419 + 21 623 + 26 967 + 20 BET Briss Gu Brit Petroliner Erstricke OI . Garo Hunson Hogg Rebinses CI

# SBC acquires almost 50% of BSI parent

THE FEVANCIAL TIMES LIMITED 1990

SWISS BANK Corporation, Switzerland's second largest banking group, announced yes-terday that it had bought a packet of registered shares giving it 48.7 per cent of Unigestion, the Geneva-based finance company which controls Banca della Sviz-sera Italiana (BSI). Switzerland's

which controls Banca della Svizsera Italiana (BSI), Switzerland's
sixth largest commercial bank.
SBC's move reflects the second
important reshuffling within the
top ranks of Swiss banking in
just over a month. CS Holding,
parent of Credit Suisse, the third
largest bank, is in the process of
completing its takeover hid for
Bank Lau, the fifth biggest commercial bank.
Full details of the SBC alliance.

Full details of the SBC alliance

Full details of the SBC alliance with. Unigestion will be announced at a press conference in Zurich this morning.

Unigestion, a medium-sized finance company controlled by Mr Bernard Sabrier, the 38-year-old son of its founder, took control of the much larger Luganobased BSI in an audacious move in 1988 with the help of Mr George Klein, a New York property developer, and SBC.

George Klein, a New York property developer, and SBC.
Control of BSI is exercised through Uni-Tower Holding, owned 51 per cent by Unigestion and 49 per cent by Mr Klein. Uni-Tower holds 36.5 per cent of the BSI share capital and 49.9 per cent of the voting rights.
Uni-Tower was financed partly by a SF278m (\$271m) mediumterm loan from SBC. There has long been speculation in Swiss

banking circles that SBC would convert this loan into an equity

stake; the decision appears to have been finally triggered by CS Holding's purchase of Bank Leu. Since Unigestion took command, BSI, which posted assets of RF13.4bn at the end of the first quarter, has expanded its operations in Zurich, Geneva, London, New York and Tokyo and has sained two Japaneses. and has gained two Japanese minority shareholders.

Taiyo Robe Bank, which recently merged with Mitsui Bank to form the world's second largest bank in asset terms, owns 11.2 per cent of the BSI share capital and 2.7 per cent of the

In March, Taiyo Mutual Life of Tokyo bought a 4.5 per cent stake in BSI, carrying 3 per cent of the

Mr Sabrier foreshadowed Mr Sabrier foreshadowed changes in the ownership of Unigestion at its annual press conference last week. The finance company would strengthen its shareholder base by strategic alliences both at the national and international levels, he said.

Unigestion with a balance sheet fotal of SFr59im at the end of 1996 reported a 30 ner cent

of 1999 reported a 20 per cent increase in net earnings to SFr16.7m last year and raised its dividend from SFr20 to SFr23 per registered and bearer ahare.

SBC with excets of SF1775tm at the end of March, returned a net profit of SF7750, up 11 per cent on the previous year.

## Receivers called in at **London development**

BANK LENDERS to South Quay Plaze 3, a 210,000 sq ft office building in London's Docklands, have called in receivers. It is the largest single casualty of depressed commercial property

prices in the area.

The banks are thought to have more than £35m (\$58.8m) in loss capital at stake in what is believed to be the largest off-balproperty industry to have turned sour. Banks are now likely to scrutinise even more rigorously their lending to property compe-mies. They have nearly \$32bn out-standing, according to the Bank of England.

The inability of the developers

to find tenants to lease the build

to find tenants to lease the building or an investor to buy it meant there was no revenue to service the debt.

Marples International and National Leasing & Finance set up two off-the-shelf companies to develop South Quay Piasa 3 on the Isle of Dogs enterprise some. It was these single asset companies which borrowed development finance from a syndicate of banks, not Maroles or NLF. The banking syndicate remains anon-

Adamson of Ernst & Young, char-tered accountants, have been

t is a year since CMB Packag-ing was formed through the bold merger of the French Carnaud and British Metalbox Packaging groups to make the largest packaging company in Europe and the third largest in the world.

Bringing together a leading

Bringing together a leading French company and a proud, long established pillar of the British corporate establishment, it is a test case for the blending of vary different corporate cultures. The omens are not all good.

The hope was that the two parts would slot neatly together to produce a group able to meet the demands of pan-European customers in the approaching single market. The potential benefits would be enormous, it was said at the time.

At presentations in Paris and London last month, the group's

At presentations in Paris and London last month, the group's senior management gave an upbest account of the past year and a rosy view of the future. Yet, although the idea of the merger is still sound, not all appears well in the aftermath of the deal.

The stresses and strains of building a new corporate culture from two very different heritages are starting to tell. Inside the

are starting to tell. Inside the group some senior managers question the way in which the new company is being run. They believe that unless there are

believe that unless there are changes in the management style and structure, the grand strategy behind the merger could fail.

Mr Jean Marie Descarpentries, chairman and chief executive, denies any suggestion of a move to oust him. He says that some have found it difficult to adjust to his descentralized style of manage. have bound it directly to adjust to his decentralised style of manage-ment and the system of judging operational managers on their success in increasing the profits of their division. And he also implies that there will be depar-

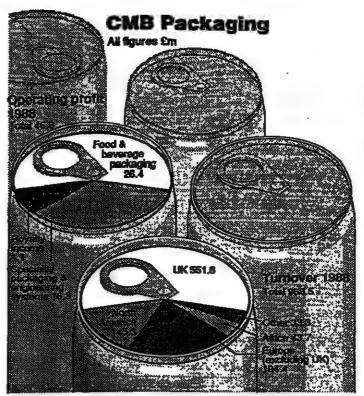
tures among senior management.
Outside the company there is some disappointment with the progress the new group has made in producing the forecast merger benefits. Swift rationalisation of production and cuts in the work. in producing the forecast merger benafits. Swift rationalisation of production and cuts in the workforce had been expected, but little appears to have happened so far — although permanent staff numbers have been reduced by 2,500 to 33,700. Stockbrokers' analysts had hoped for more from the first annual results announced last month. These showed net profits up 17 per cent at FF1947m (\$171.5m).

Mr Robert van den Heuvel, the finance director, says analysts' expectations had been too optimistic. The results covered a 12-month-pariod from the old Carnaud but only nine months from the old MB which had a March year end. Also, more conservative accounting principles had been adopted.

Added to these concerns, customers complain that the level of service they get from the merged group is poor, although in some areas, notably beverage cans.

group is poor, although in some areas, notably beverage cans, there is a supply shortage throughout the industry.

The group has apparently not lost much business following the merger, though it has been helped by the fact that many of CMB's competitors have also



# A marriage showing first signs of strain

Maggie Urry on the merging of company cultures at CMB

changed hands recently.

For example, American National Can was taken over by Pechiney, Reedpack did a leveraged management buy-out, DRG has been the subject of a break-up bid, and Continental Can, of the US, is being sold off in parts. Once the competition has regained its strength, the fight for leadership in Europe will become flares, especially with the prospect of eastern Europe opening up. Packaging prices will remain under severe pressure and good customer service will be vited.

Then, too, there is the whole question of CMB's shareholding structure. At the outset, CGIP, the French holding company which had a large stake in Cannaud, and MB Group, which owned Metalbox Packaging, each took 25.5 per cent of CMB.

A year on, there has been speculation that MB would like to cash in its stake, following a

cash in its stake, following a marked change of direction in the group with its takeover of Caradon, a building products business. The money could be reinvested in businesses close to MB's mainstream interests.

MB's original representatives

on the CMB board, Mr Brian Smith and Mr Murray Stuart, were the prime movers on that side behind the merger. But Mr Smith has retired and Mr Stuart has left MB. They are being replaced on CMB's board by people who have no background in the packaging industry.

Mr Descarpentries says he cannot comment on any speculation, since MB has not notified CMB of any intention to sell its stake. on the CMB board, Mr Brian

any intention to sell its stake. But he says if MB were to sell there would be no overhang of stock on the market, and inaists: I am not afraid." UK holders of the shares have

been sellers during the shares have shares, which rose to 2500p in the early months after the merger, fell sharply in January and February to a low of 1800p, and have since recovered half that drop to close last night at 2150p.

Most serious of these worms is the note of dissension within the hariness. Stating together two

business. Putting together two entirely different companies -some of the subsidiaries had previously been fierce competitors

was never going to be straightforward. Presented as a merger, there was not the luxury of one side being able to claim victory

over the other with the con-queror's rights of being able to impose change. Instead, a new culture had to be forged.

Mr Descarpentries says this has happened, and that it is the most important achievement of the first year's work. He says the group must not be considered as Anglo-French or Franco-British, but European — something some people within the group have found difficult to understand, he

He says that the combined group's turnover is 30 per cent British, 30 per cent French and, therefore, the largest part - 40 per cent - belongs to neither side of the cultural divide. The arrival of Mr van den Heuvel, a Dutchman, at the beginning of 1990 also brings someone with no axes to grind into a senior posiaxes to grind into a senior posi-tion. He works alongside Mr Alex Watson, director general, for-merly of Metal Box and now the effective number two at CMB.

The group has combined the best of both cultures to form a

new management style, Mr Des-carpentries says. The aim now is that each division will improve on several important financial criteria – such as operating margins, productivity, working capital usage — by bringing the less good parts of the business up to the standard of the best areas. A provision of FFr523m has been put in the accounts to cover restricturing costs.

Behind the management struc-ture is the theory of a highly decentralised group, organised into individual business units, which are in turn part of net-works of plants in the same busi-ness sector. The whole is described by Mr Descarpentries as an inverted pyramid, with the customers at the top, and the general management at the bot-tom, reporting to shareholders.

But dissidents believe Mr Des-carpentries has acted to divide the business into units small enough for him to dominate.

Mr Descarpentries is credited with turning Carnaud around from near bankruptcy to a thriving business in a few years. But his critics argue that the French company was suitable for the small, boit-on acquisitions. This is not the way to run a large multinational group, where there is a need for greater delegation on management decisions, they argue.

argus.

Mr Descarpentries says that in Carnaud it was possible to run the company "on the telephone", without formal procedures. Because CMB is a much higger group, it needs a more formal procedure for taking hig decisions without losing momentum and he hints at forthcoming changes in the decision-making structure.

whoever wins the beauty-the-scenes power play apparently being enacted at CMB, the merger can still produce a suc-cessful, international packaging group able to stand up to the giants of the US and Japan. But the bickering cannot go on for much longer.

# French water company takes \$100m stake in US group

By George Graham in Paris

COMPAGNIE Générale des Eant, France's largest water and public services company, is to take a \$100m stake in Air and Water Technologies (AWT), a New Jersey-based specialist in water resource management, air pollution resource management, air pollution resource and the dispersed. tion control and the disposal of

waste products.

The French water company will buy the stake in a private placing at the same time as AWTs forthcoming flotation on the American Stock Exchange, and analysts said it could end up with 16 to 18 per cent of AWT.

Générale des Estax also agreed with AWT to explore opportuni-ties for using the US company's technologies and capabilities in

MITSUBISHI Motors, the Japanese car and truck maker, is negotiating with Chrysler of the US, as well as with Volvo of Swe-

den and Daimler-Benz of West

Germany on the setting up of a car production joint venture i Western Europe, Mr Hirokazu

Nakamura, the company's chief executive said yesterday.

The company's long-awaited decision to begin car production in Europe — in the wake of Nissan, Toyota and Honda — had been deleved by the company in the wake of Nissan, Toyota and Honda — had been deleved by the company in the company is chief the company in the company in the company is chief the company in the company is chief the company in the company in the company is chief the company in the company in the company is chief the company in the company in the company is chief the company in the company is chief the company in the company in the company in the company is chief the company in the company in the company is chief the company in th

been delayed by at least a year by the pace of political and economic change in western and eastern Europe, be admitted. "The future

of the European market is uncer-

Mitsubishi Motors remained

committed to establishing a Euro-pean car production base, how-ever, and the company hoped to choose a partner and a location

for the plant before the end of the

The talks with Daimler-Benz about European car production are part of wider-ranging negotia-

year, he said.

By Kevin Donn, Motor Industry Correspondent in Tokyo

Europe and the Far Bast. An AWT spokeswoman said that the companies anticipated a good fit between AWT's air pollution control technologies and the French group's construction activities, which include SGE, France's third-largest construction com-

pany.

AWT, which was taken private in 1987 before coming back to the stock market, is on the point of completing arrangements for an offering of \$150m of convertible subordinated debentures along with 2.5m new ordinary shares.

Générale des Eaux will pay 8.33 per cent more than the eventual

The US group, whose 1989 sales

Chrysler included in Mitsubishi talks

tions between the West German concern and the whole Mitsuhishi

industrial grouping including the areas of aerospace and electron-ics. Mr Nakanara confirmed that

the two groups were also studying the feasibility of joint assembly of Daimler-Benz trucks in Japan. The recent disclosure of Mitsu-bishi Motors' talks with Volvo has

already aroused fierce opposition from some quarters in France, because of the far reaching alli-

ance that is being formed by the Swedish car and truck maker

with Renault, the French state-

owned car maker. France is lead-ing the campaign for continuing tough curbs on Japanese car sales

in Europe.
"Volvo is one of the candidates

we are having talks with," admit-ted Mr Nakamura.

has been made and in the mean-

time Volvo's position has changed," he said, referring to the Volvo-Renault alliance. "We are

taking this into account. We still need local production."

However, "no concrete decision

totalled about \$606m, includes the Metcalf and Eddy Companies specialising in water resources management, and Research-Cot-trell, an air pollution control

company.

Genérale des Baux made profits of FFr1.83bn (\$331m) last year on turnover of FFr95.5bn.

It has expanded rapidly in recent years, both in its core water businesses, where it has been among the most active buyers of IIK water communics, and ers of UK water companies, and in other service areas.

These include healthcare where it recently bought control of AMI Healthcare, the largest private UK medical company, and radio telephone networks.

Mr Nakamura said that Mitsu-bishi strongly favoured a joint

venture rather than going it alone as Toyota and Nissan, the two leading Japanese car makers,

have with the development of

their first European car plants in

He said that Chrysler was also "one of the candidates we are con-sidering in the joint venture

The company was seeking a partner for its planned European

To win easier acceptance in

the face of increasing protectionist pressures, and

To improve the financial via-

hility of the project by allowing higher volumes of production and

keen to re-establish a stronger

presence in Europe following its

forced withdrawal from the Euro-

pean car market at the end of the 1970s in the face of financial col-

higher levels of productivity. Chrysler, which owns a 12.1 per cent stake in Mitsubishi Motors is

venture for two reasons.

the UK

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All of these Securities have been sold. This announcement appears as a matter of record only.

# Rhône-Poulenc acquires garden products units

RHONE-Poulenc, the French state-owned chemicals group, said it will become Europe's largest supplier of garden maintenance products with the acquisition of the garden care activities of Shell Agrar in West Germany and Torfa in Belgium.

The French group was already present in the garden chemicals sector with around FFr450m (\$81.6m) a year of sales in France, Belgium, Italy and the UK, where it sells under the name of May and Baker Garden Care. It said the two separate acquisitions would give it 15 per cent of the European market

The European gardening products market is valued at FF19.3bn a year, just behind the US market, with sales of FF14.6bn a year in insecticides, weed killers and other disease treatments, FFr2.9bn a year in

soil conditioners and FFri.8bn a year in house plant products. The garden division of Shell Agrar, a unit of Deutsche Shell, accounted for FF1380m of sales last year, and will give Rhone-Poulenc a 28 per cent share of West Germany's garden treatment products mar-ket, with the Celaflor brand, as well as the Etisso brand for house plant products. It will also reinforce Rhône-Poulenc's position in its domestic mar-ket, where Shell Agrar's Sovilo and Fertiligene brands rank second behind its own KB

Toria, based at Rumst between Brussels and Antrerp, is a small supplier of the Belgian, Luxembourgeois and French markets, with FFr3am of sales last year. Rhône-Pou-lenc officials said Torfa is highly specialised in the soil condition sector.

#### Trinkaus seeks DM78m

By Katharine Campbell in Frankfurt

TRINKAUS & Burkhardt, the Düsseldorf-based bank 70 per cent owned by Midland Bank of the UK, is raising DM78m (\$49m) through a one-for-ten rights issue at DM390 a share. The rights price represents around a 13 per cent discount on yesterday's market value for the shares.

Midland Bank will take up its full entitlement to the new ares.
Trinkaus did not specify how had been included.

the proceeds from the rights issue, which is the bank's sec-ond aince its flotation five years ago, would be spent Last month the bank announced a small increase in 1989 group partial operating profits to DM74.9m from DM72.1m the previous year. Total group operating profits declined, although they would have been higher if pending

#### Stad Rotterdam profits fall

By Our Financial Staff

STAD Rotterdam, the big Dutch insurance group, yesterday reported lower profits for the first quarter of 1990 but said earnings for the whole year should show an improvement. The group's first-quarter per-formance has been severely hampered by weak non-life experience with operating profits from this division tumbling to Fi 2.11m (\$1.15m) from Fi 7.98m

in the first quarter of 1969.

The result is that group net profits for the quarter have fallen by a third to Fi 10.8m, from Fi 15.9m in the 1969 quarter. Revenues in the period were fill 594m compared with fill 553m. Stad Rotterdam said it had been badly hit by the need to provide against severe storm

# NEWS IN BRIEF | Fertile times for Kemira and Norsk Hydro

#### **Hochtief** to hold payout at DM10

HOCHTIKE, West Germany's biggest construction group, is to hold its dividend at DMTO a share for 1989. The company plans to provide full 1989 financial details on May 22, AP-DJ reports.

In February, Hochtief said pre-tax profit had improved and that group construction volume, which includes pro-jects that have not yet been billed, increased 16 per cent to DM5.46hn (\$3.28bn) during the

Hochtief, which is part of the RWE utility group, said volume growth in 1989 was paced from its foreign operations, where volume climbed 28 per cent to DM1.96bu. Domestic growth climbed 11 per cent to

 Instituto Nacional de Industria, Spain's state holding com-pany, has appointed Mr Miguel Aguilo to the board of state-owned airline Iberia Lineas Aereas de Espana prior to his election as its chairman, Reu-

The appointment of Mr Agullo, who was chairman of INI's shipperd division Astille-ros Espanoles will be ratified by lheria's annual meeting in June. He will replace Narciso Andrea as chairman of both Iberia and its charter unit Aviaco. Mr Andreu, who has been chairman of Iberia and Aviaco since 1965, has asked to be relieved of his duties. He is expected to be appointed chairman of Banco Espanol de Belgica, the Belgian subsid-iary of Banco Exterior, the state controlled bank.

state controlled bank.

TF1, the French television station, and its main shareholder, construction group Bouygues, have signed an agreement with Swedish communications group Industriorvalinings AB Kinnevik to co-operate in the field of television, Reuter reports.

The three partners have decided initially to look into the possible acquisition of

the possible acquisition of Esselte Entertainment, which Sweden's Esselte put up for sale earlier this year. The divi-sion includes the leading dis-tributor of video cassettes in northern Europe as well as the Filmnet pay-television station.

Peter Marsh looks at the steady expansion of two Scandinavian fertiliser makers

ould you like some shares in a fertiliser company? Fertilisers are not the most glamorous, high-growth sector and the question is guaranteed to send even the most enthusiastic investors fumbling for an

wrus. While most of the world's large fertiliser groups have had a thin time in recent years, with share prices and profits in the sector distinctly unimpressive, two companies have been riding high.

They are Norsk Hydro of Norway and Finland's Kemira, the first and second biggest fertiliser makers in Europe. In the past decade, both have steadily built up capacity in this area, often through buying up divi-sions of other fertiliser groups. Kemira alone has spent FMIbn (\$157m) in the past five years in acquisitions in this field, more than tripling its European fartiliser production capacity to about 7m tonnes a year. Norsk's capacity, all in Europe, is twice this, making it the number one fertiliser trothe number one fertiliser pro-

incer worldwide. Both Norsk and Kemira have increased their capacity in Europe outside Scandinavia as part of a broad strategy to gain a firm footbold inside the European Community prior to the planned elimination of trade barriers after 1992

In the case of Kemirs, Fin-land's biggest chemicals com-pany, the moves in fertilisers pant, the moves in lettingers are part of a broad, general expansion which has seen the group double its sales over the past six years to FMIhn last year. In addition to fertilisers, Kemira has a strong position in paints and general indus-

trial chemicals and is the world's fifth biggest maker of titanium dioxide, a white pigment used in paints, plastics and fibres.

Fertilisers add up to a \$50hn-a-year business worldwide, but in most countries outside western Europe the sector is highly fragmented with local producers, often relatively small, having the largest market shares.

In western Europe, the fertiliser market has been generally depressed for several years, as a result of several factors. Many of the large companies in the business have had excess capacity, there has been poor demand from farmers whose own industry has been in trou-ble; and cheap imports from other countries, in eastern Europe for example, have undercut prices. Also environmental pressure against over-use of fartilisers, which have been linked to pollution of rivers and some health proble has helped to restrain sales. particularly in the developed

In this less than booming sector, consolidation has occurred. The number of large independent fertiliser companies in western Europe has been reduced from 56 in 1900 to 29 this year, according to Kem-

Despite the poor position of the industry as a whole, both Norsk and Kemira are making reasonable profits in fertilisers, in contrast to other large Euro-pean groups in this industry such as imperial Chemical Industries of Britain and West ticular, has had a bad time in fertilisers in recent years. In

WEST EUROPEAN FERTILISER MAKERS (1989 capacity per year)

Norsk Hydro (Norway) Kemira (Fisiend) Enimont (Italy) Elf Aquitaine\* (France) Eff Aquinamic (Spain)

Encros/Enferse (Spain) Ercros/En

"After completion of lake-over of parts of Orkers (France) - Bourse; lockstry estimates

both 1998 and 1988, while the rest of ICI's divisions were booming, its fertiliser units

lost money. Norsk and Kemira may, it is thought, benefit from state ownership in the sense of hav-ing a longer-term perspective and not having to worry about ups and downs in their share prices. Mr Pertti Laurila, director of business development in Kemira's agriculture division, denies that in the case of his company this means his group has an unfair advantage.

has an unfair afvantage.

"Being state-owned does not make any difference; we act just like a private-enterprise company," he said.

Mr Geoff Pyke, a fertiliser expert at Chem Systems, a London-based chemicals consultancy, said that both Kemira and Norsk different from the ira and Norak differed from the other fertiliser groups in terms of commitment and investment

"They (the Scandinavian companies) have gone for large, efficient plants in well-

located positions. The other companies (in fertilisers) seem to be in more of a hanging-in

In their Scandinavian plants, both Norsk and Kemira have an advantage in terms of access to large and relatively cheap supplies of natural gas

— a vital ingredient in manufacture of nitrate-based fertiliser, the most important type of agricultural nutrient. The natural gas is used in a

transition stage in nitrate production which involves synthesis of ammonia. The other two main types of fertiliser are based on potassium and phosphorus as the essential ele-ments added to soil.

ments added to soil.

The two Nordic companies have also put a lot of effort into building up the marketing-related aspects of the business. "At Kemira we have tried to stress good distribution facilities and build highly flexible plants that can be switched around to meet different needs," said Mr Laurila.

he marketing will be siressed even more in future, said Mr Finn Huistendahl, vice president at

We will spend more money in the next few years on distri-bution and depots than on new

Mr Huistendahl said an important part of Norsk's strategy had been cutting costs, from a viewpoint of energy and staff numbers. Production of nitrate-based fertiliser, in particular, is highly energy inten-tive and benefits from modern energy-efficient technology. Europe's fourth biggest fer-tiliser maker is Elf Aquitaine, the state-controlled French oil and chemicals group. The company has gained its fertiliser interests by dint of its takeover of Orkem, another French chemicals company which has built up its fertiliser interests

Mr Loik Le Floch-Prigent, Elf Aquitaine's chairman, said fertilisers is an inherently cycli-cal business which is unlikely ever to make large and consistent profits. None the less, he said, the business "is improving quite a lot" and he believed prospects were reasonably

For the investor in chemicals, a chance to take a gamble on how fertilisers will develop might come next year, when up to a quarter of the stake in Kemira is likely to be floated

off to private investors.

No announcement on this has been made, but a partial privatisation of the company is thought likely because of pres-sure on the Finnish Government to reduce its stake in public enterprises. Kemira's management has also pressed for the change on the grounds that it would give the company greater flexibility in raising funds from the investment

The long-term outlook for Kemira's fertiliser division and for the industry as a whole will depend less on any moves towards privatisation and more on external factors such as overall levels of agricultural activity and what happens on a broader environmental front. Whether the business can shake off the doldrums of recent years is a question many in the sector are far from

#### Pharmacia down 28%

By Jack Burton in Stockholm

PHARMACIA, the Swedish pharmaceutical and hiotechnology group, saw profits after financial items fall by 28 per cent to SKr188m (\$31m) during the first three months of 1990. Sales rose 5 per cent to SKr1.88bn. But the company repeated its previous forecast for the year, which predicted that profits will increase as

sales outpace cost growth.

Pharmacia said it had expected first-quarter profits to be lower than last year's, which

were inflated by exceptional factors. The results were also hit by bigger amortisation costs and foreign exchange losses of SKrem. Pharmacia, which merges later this year with Procordia, noted the planned divestiture of units, which would boost income, had been delayed until the merges It is satisfied with the slower

growth in costs for administra-tion and marketing, which rose 5 per cent against 20 per cent.

#### Wessanen set to reach deal with Karlshamns

WESSANEN, the Dutch food group expects to reach an agreement to transfer the capital of its Friwessa unit to Kar-lshamns, the Swedish oils and fais group, Reviers reports. No financial details of the transaction were given.

Triwess manufactures als and fats for the chocolate and confectionery industries and employs 189 people with an annual turnover of about 17 22m (112m).

#### Air Liquide to build unit

By George Grahum

AIR Liquide, the world's leading industrial gases group, is to invest FFr16tm (\$29m) in a new liquid hydrogen unit in French Guyana to power the Ariane 4 and 5 rockets produced by the European joint venture Arianespace.

The group has signed a supply contract with France's National Space Research Can-tre (CNES) to build the plant, which will produce 10m litres a year of liquid hydrogen and come into operation in the

autumn of 1991. It will replace the existing supply of liquid hydrogen shipped to Ariane's Kourou launch site by con-

Air Liquide said last week it planned to merge its Danish interests with Hede Nielsen. the country's largest industrial gas supplier. The two companies will create a joint holding company, Hede Nielsen Investment, controlled by the Hede Nielsen family, with Air Liquide in the minority.



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May 15, 1990, Landon By: Citibank, N.A. (CSSI Dept.), London Branch, Agent Bank

#### INTERNATIONAL COMPANIES AND FINANCE

THE TRUMP Shuttle is still

more than 18 months away from turning in a net profit

although it has recently begun

to cover its operating costs, Mr Bruce Nobles, the airline's president, said yesterday. Since Mr Donald Trump, the

New York real estate devel-

oper, said recently he would consider offers for the airline,

"we have received some expressions of interest and we

are providing information but

there are no offers and no

negotiations," he added. Continuing net losses at the

airline, because of its heavy

debt burden, prompted Mr Trump to put the airline on the

block, analysts believe. He bought it last June from East-

ern Airlines for \$365m, financ-

ing the purchase and refurbish-

ment with an estimated \$400m

suddenly seeking to pull out of the famous Alberta tarsands.

They are nervous about the

new downtrend in oil prices and the heavy future financial

commitments needed for

sands production units near Fort McMurray, North of

Edmonton, with a combined output of about 220,000 barrels

The smaller unit, with capacity of about 60,000 barriels daily, is owned by Suncor, the Canadian arm of the US Sun

Oil, and Suncor says it wants to sell a half ownership share.

The plant was brought on

daily of synthetic crude.

Canada now has two tar-

# S Australian state bank to absorb NZ building society

By Terry Hall in Wellington

STATE BANK of South Australia yesterday announced plans to become the fifth largest banking group in New Zealand by absorbing the country's United Building Society. The society, which has assets

of NZ\$2.5bn (US\$1.4bn), has been seeking a powerful backer since a well-publicised run on its funds due to rumours some 18 months ago when the media portrayed long queues at its

While it overcame this crisis, it apparently acted to constrain its growth, and put to an end its own plans for a bank licence and stock exchange listing. Under the proposals revealed yesterday, the aggressive State Bank of South Australia will

By Philip Gawith in Johannesburg

hampered the performance of Tiger Oats, a South African

foods group and a member of the Barlow Rand stable, in the

A fall in operating margins left pre-tax profit up only 3 per cent at R213.6m (US\$82.2m) on

turnover up 17 per cent at

Oceana, its fishing subsidiary, amid tight trading conditions in the food industry, suf-

fered badly from a severs reduction in the anchovy quota, poor catches of pelagic and rock lobster, and lower volumes and margins in the

trading divisions. Fishing s

contribution to group attributable earnings was down to
R4.6m from R11.4m.
The food division performed

By Robert Gibbens in Montreal

SEVERAL bids have been received for the bankrupt. Leigh Instruments, of Ottawa,

says the trustee, Peat Marwick Thorne.

international companies paid C\$10,000 (US\$8,621) deposits for

Leigh's financial statements and list of contracts.

one of its few profitable sub-sidiaries is Micronsy, a Nova Scotia maker of airport landing

systems, which continued in operation with a large federal

Peat Marwick said offers

were received for all or parts of

the hi-tech group. Results of

More than 35 Canadian and

help turn the society's existing 85-strong branch network into a bank. It will also offer various cash and interest incentives to the society's members, who are to vote on proposals to turn the society into a limited liability company and seek a bank licence at a meeting in Christchurch on June 6.

stchurch on June 6.

A number of regulatory consents are required, including approvals from the Overseas Investment Commission and Registrar of Building Societies.
The Reserve Bank will also have
to grant a banking licence. The
latter should be a formality,
however, as State Bank has held
a bleance since 1988 when it a licence since 1988, when it bought the local wholesale busi-

Poor fishing results hamper

and Logos, the pharmaceuti-cals division, also performed

per cent to R19.6m.
The directors expect trading

conditions to remain difficult in the six months ahead, but believe the current rate of

increase in earnings will rise. Owing largely to a decline in earnings attributable to ontside shareholders, earnings and dividends per share were up 13 per cent to 86.9 and 22 cents respectively.

cents respectively.
Imperial Cold Storage and Supply (ICS), another member of the Barlow group, suffered from severe competition. Margins were slashed and pre-tax profits plummeted 39 per cent

Bids in for Leigh Instruments

the bidding will be disclosed during the next week.

Leigh was bought by Pleasey in 1968 after a takeover fight with a Canadian company.

Plessey was later absorbed by General Electric Company of the UK in conjunction with Siemens of West Germany. GEC also owns Canadian Mar-

coni .a larger avionics and defence communications soulp-

Leigh declared bankruptcy. early in April, with debts of around C\$100m, and laid-off 700

employees.

CAE industries of Canada is still suffering from problems

well, raising its contribution 32

subscribe NZ\$150m in capital to ness of the US-based Security Pacific. If it gains the necessary

approvals, State Bank's asset base in New Zealand will stand at NZ\$4bn on June 30. United Building Society last year reported a profit of NZ\$11 1m although NZ\$7.6m came from planned property sales to strengthen its capital adequacy

State Bank said the two organisations were remarkably similar. Both were headquartered outside their countries main cities (in Adelaide and Christchurch), which gave them considerable benefits, and both were extensively involved in home loans, property and stock-

performance at Tiger Oats POOR RESULTS from fishing solidly, with the attributable to R20.43m over the same earnings contribution up 20.per cent to R96.6m. Adoock Ingram period.

Turnover rose 12 per cent to

Earnings per share were 80 per cent down at 63.8 cents and the dividend was cut 22 per

with its US Link military flight simulator and training division

acquired in 1988 from Singer

Link losses, plus accounting changes in Canada, lowered CAE's earnings for the year ended March 31 to C\$2.7m, or 3 cents a down from C\$42.8m or 55 cents as a down from C\$42.8m or 55 cents as a central contract of the contr

55 cents on revenues up 33 per cent at Canada.

world's leading commercial flight simulator builder, has had to reduce the Link work-

force by 16 per cent, merge units and inject new technol-

CAE, for many years the

Co for Coosm (USes 7am).

cent to 14 cents.

R1.05bn, but operating margins were cut to 2.18 per cent from 4 per cent. A 42.6 per cent rise in interest and a R3m extraordinary item further knocked The poultry division suffered The poultry division suffered a loss because of oversupply, which dampened prices, and production interruptions during the commissioning of an upgraded processing plant. The red meat division also experienced lower margins, but the dairying and distribution divisions, and associated companies performed satisfactorily.

nies performed satisfactorily:

Bank of Tokyo has a special role as Japan's main foreign exchange bank, and its absence from a market as large as Taiwan is exceptional.

tonal commercial Bank to China is the only Taiwanese bank to have a branch in Japan. However, bankers believe that at least one of the Island's big three banking groups, which are in the pro-cess of being privatised, will com seek to set up in Tokyo. Chang Hwa Commercial Bank is, said to be the most likely candidate.

#### Income surge at Daiwa House

climbed 19.1 per cent to Y664.8bn. Daiwa House streamlined production and assembly of homes while developing new products to meet consumer spending.

By Barbara Durr in Chicago JACOBS SUCHARD USA, the and the third largest candy maker in the US, now has to decide whether to move its operations abroad, which it threatened to do if its FTZ American subsidiary of the Swiss confectionery and coffee company, has failed in its attempt to win Foreign Trade Zone status. Chicago-based Suchard USA, formariy E. J. Brach & Sons

purchases since it could then request were rejected.
The company asked for FTZ status to save \$20m on sugar

buy it at the low world market price instead of the US domestic support price.
Suchard USA had argued it needed FTZ status to keep its operations in the US and help save more than 3,000 jobs.

Trump would need an operat ing profit margin of around 20 per cent whereas other airlines consider 15 per cent high in today's market conditions. "Given the scale of the operating losses and the overall decline in the value of airline assets since Mr Trump bought the Shuttle, he will be lucky to

Mr Nobles said. But the other shuttle operations had much smaller debt loads than the

Trump Shuttle which has to

meet an interest bill of at least

\$40m a year, analysts estimate,

out of total revenues of only

To cover interest payments,

about \$200m.

line Monitor, an industry news-Mr Trump has said it is

get more than about \$250m for it now," said Mr Edmund Greenslet, publisher of the Air-

#### Taiwan may Trump Shuttle 'meets running cost' get first Japan bank in 20 years

By Gordon Cramb

TAIWAN may soon gain its first new Japanese bank outlet for nearly 20 years in spite of resistance by the authorities in Tokyo, which are wary of disrupting Japan's relation-ship with mainland China.

Bank of Tokyo, one of the country's largest banking groups, is in talks aimed at setting up a representative office, perhaps as early as July. Dai-Ichi Kangyo Bank (DKB), the only Japanese bank already in Taipel, began its operation in 1959.

Other groups withdrew after Japan switched by recognition to China trees Taipens in 1972

to China from Taiwan in 1972. Some are now exploring the possibility of a presence in Taiwan, which is moving to deregulate its financial mar-

Foreign banks, which are being allowed to tap part of the huge pool of Taiwanese savings, will now be able to convert a representative office into full branch status after a

into full branch status after a year on the island, rather than the previous two years.

The Ministry of Finance in Tokyo says it cannot restrict the opening of representative offices abroad, for which it needs only prior notification. Setting up a branch, however, requires its permission, which in the case of Taiwan it has been reluctant to grant.

According to a ministry official: "Opening branches is

cial: "Opening branches is rather difficult diplomati-cally." He added: "Banking managers should think about their own business in main-land China and consider the

large as Tawan is exceptional. Significantly, in the past year some 10 per cent of Taiwan's nearly US\$70bn in official reserves has been moved into Japan, where previously nearly all was held in the US. The medium circal Bank of China is the only Taiwanese

DAIWA HOUSE Industry, Japan's second largest home builder, said yesierday its protax profits jumped 43.6 per cent in the year to March to Y63.24bn yen (\$414m), AP-DJ reports from Tokyo. Net income surged 51.2 per cent to Y32.83bn. Sales

#### stream in 1965 using a steam process developed in the 1920s to separate the bitumen from Alberta Government, have given notice they want to sell their Syncrude interest. The companies in most cases have heavy debt loads and are The Syncrude plant, child of the 1974 world energy crisis, followed using the same pro-cess. However the two separate circuits were built so that an production is too risky in the present climate. They may also be saying that more tax con-

restructuring their operations. The reason for an Alberta Gov-ernment ball-out is less obvi-

Mr Nobles declined to com-

ment on newspaper reports

that the Shuttle had run up net

losses of \$85m under Mr

Trump's ownership, a figure higher than earlier estimated. "We'll begin to show a net

profit by the beginning of

In contrast, the Pan Am Shuttle, which shares the

Washington-New York-Boston

shuttle duopoly with Trump, is

believed to be currently profit-

able, although Pan Am does not break out results from its

Eastern earned an average of \$19m net profit on the Shuttle

in the five years before it sold the operation to Mr Trump.

tle operations would have turned in similar results to

Trump's if their costs were

allocated properly rather than

down the whole operation,

Syncrude started up at

Pan Am and Eastern's shut-

total airline figures.

1992," he said.

will delay a C\$4bn expansion of capacity to more than 200,000 barrels daily indefinitely, say analysts. Already the Federal government has withdrawn its financial backing from the C\$4bn Oslo tarsands project in the same area.

The flight from Syncrude

Donald Trump: reckons Trump

carried in part by the compa-

Syncrude started up at 125,000 barrels daily in 1978. It has been expanded to 160,000 barrels daily capacity and the total investment is well over C\$3hm (U\$\$2.6hm).

The Alsands project, of the same scope and with a price tag of \$9hm, was shelved in 1981 after the second energy crisis. The federal government decided the price was excessive. In all, the Alberta tarsands are estimated to hold If the flight succeeds, the largest remaining stockholder would be Imperial Oil, with 25 per cent, and it is now digesting the C\$5bn takeover of Texaco Canada. The second largest would be PanCanadian Petrosands are estimated to hold 300bn barrels of recoverable oil at around present prices.

Several of Syncrude's nine
owners, including PetroCanleum, the energy arm of Cana-dian Pacific with 10 per cent, and a handful of others to ada, Amoco Canada, Encor Energy, Gulf Canada, Cana-dian Occidental and the make up about 50 per cent

Oil producers edgy at Alberta tarsands

Mr Wilfrid Gobert, a well known Calgary analyst, says most oil companies may well have concluded that tarsands cessions may be needed if tar-sands production is to represent a government target of around 10 per cent of total Canadian demand.

Syncrude is now operating at 200,000 barrels daily after recovering from a fire in December. The process uses

high temperatures and fires Syncrude plans to reach an average daily output of 160,000 barrels for all 1990. At current prices in the C\$20 range, it says it is profitable and can show a positive return for its

partners.

The synthetic crude is pipelined to Edmonton and refined there by Imperial Oil. This company, the country's largest integrated oil and gas group, will in any case remain heavily committed to the

Alberts turning.

Besides being the leader of
Syncruda, Imperial is also the major shareholder in the Oslo project. For Imperial, the crux the timing in relation to future oil prices, and it shows every sign of staying in for the long pull.

Volkskas profit

up 24 per cent

to R174.3m

By Philip Gawtin

#### Washington Bancorp seeks rescuer

By Alan Friedman in New York

WASHINGTON BANCORP, the small and troubled bank that small and troubled bank that last week became the first com-mercial bank holding company in recent US history to default on its commercial paper obliga-tions, yesterday said it was seeking a financial rescue from "substantial private investors." The Washington DC bank, whose 18 National Bank of Washington branches are a

accident or fire would not close

Washington branches are a familiar sight in the nation's capital, defaulted last week on \$25.8m of its \$36.7m of unse-

cured commercial paper because some lines of credit were cut off by other banks. The bank, hit hard by losn problems associated with the spreading real estate sector recession reported \$2.7m of indicative of what might hapcession, reported \$5.7m of ses in the first quarter of this year and non-performing loans of \$100.3m, representing -6.6 per cent of its total loan-

Although small — its assets are only \$1.9bn — the Washing-ton Bancorp spisods may be

Suchard USA fails to win FTZ status

pen at other minnow- and medium-sized commercial banks if the real estate alump persuades money centre banks to cut back on interbank lines. Yesterday, in spite of Washington Bancorp's assurances ingon bancory's assurances that its discussions with prospective investors were "active and- intense,"—the bank's-shares, quoted on the over-the-counter Nesdaq market, were marked % of a point

VOLKSKAS, South Africa's fourth largest bank, increased pre-tax profit 24 per cent to R174.3m (\$66.3m) in the year to March despite tight margins and increased provision for had The increase in profits was due mainly to a 80.8 per cent increase in advances to R13.98bn, a rate considerably above that of other major

banks which have reported recently.
This follows a concerted

marketing campaign aimed especially at attracting young

In line with competitors, pro-vision for bad debts was increased by 22.7 per cent to take account of the casualties of prevailing high interest rates. Earnings per share were 26 per cent up at 270 cents and dividends 15.4 per cent up at 90

# Ricoh up 4.5% on strong sales

By Jan Rodger in Tokyo

PRE-TAX profits of Ricoh, a leading Japanese maker of copiers and office automation equipment, rose 4.5 per cent to Y33.41bn (\$218m) in the year to

The company, which recently appointed a former Ministry of International Trade and Industry (Miti) official as managing director, showed a profit of Y31.98bm the previous

Sales for the year rose 8.9 per cent to hit a record high of Y656.4bn from Y602.7bn, boosted by corporate capital spending and brisk personal consumption. The export ratio

was 31.6 per cent. Sales of copiwas 31.6 per cent. Sales of coprers were particularly strong, rising 12.4 per cent to Y312.9hn. Information equipment sales rose 3.1 per cent to Y184.3hn, and sales of paper and other supplies went up 3.3 per cent to P20.1hm.

The company's overall good performance was due pertly to its investment of surplus funds to boost its non-operating profit, to offset increased costs caused by poor performances in oversees facsimile machine profits. production. Operating profits rose 0.2 per cent to Y24.37bm, and net income dipped to Y17.56bm from Y18.34bm.

Ricch targets pre-tax profits of Y34bm for the current year. It plans to boost capital spending to Y45bm from Y36bn, some of which is earmarked for the construction of a technology development centre in

Tokyo.

Olympus Optical, a maker of cameras and other optical equipment, showed pre-tax profits of Y14.04bn in its year to March, up from Y9.74bn. Sales were Y157.4bn against Y139.2bn, Our Financial Staff writes.

It expects profits to rise fur-ther to Y15hn on sales of Y167.5bn.

#### BAHAMAS

The Financial Times proposes to publish this survey on:

10 July 1990

For a full editorial synopsis and advertisement details, please contact:

> Nigel Bicknell on 071-873 3447

or write to him at:

Number One Southwark Bridge London SEI 9HL

**FINANCIAL TIMES** 

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Notice is hereby given that for the six months Interest Period from May 15, 1990 to November 15, 1990 the Notes will carry an Interest Rate of 8%-% per annum. The Interest payable on the relevant interest payment date, November 15, 1990 will be U.S. \$437.64 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

# OCHASE

PROFIT AND DIVIDEND ANNOUNCEMENT for the year ended 31 March 1990

Increase in earnings	32%
Increase in earnings	0/0/
per share	24%

1990 Rm	HIGHLIGHTS	1989 Rm
4341,8	Turnover	4 150,3
260,2	Profit before tax	207,9
183,7	Profit after tax	149,5
2 380,1	Total assets	2096,3
cents		cents
180	Earnings per share	145
60	Dividend per share	*50
		Pon one forms have

The results have been restated to reflect the successful completion of the Group's restructuring involving the divestment to Beverage and Consumer Industry Holdings Limited of the Group's 33,8% interest in The South African Brewerles Limited. Pre-tax profits. which increased by 25%, are particularly pleasing having regard to the overall state of the economy. Continuing growth is expected in the 1991 financial year.

hereholders today and further copies are smillsble from the no Brothers Limited, 99 Bishopsyste, London BC2M 3XE, England, Telephone (071) 588-7011

The Fremier Group Limited Registration number 01/04313/06 (Incorporated in the Republic of South Africa)

Directore P G A Wrighton (Chairman), D Gordon (Joint Deputy Chairman), M B Hofmeyr (Joint Deputy Chairman), A H Bloom, Y G Boss, W E Cessata, W J de Rok, H P de Villers, N B Powler, E L G Geeling, D M MacGillivray, L M Mathabathe, C L Sunter (Betish), G M Urian, D C Kovarsky (Ak), W J van der Klis (Ah),

#### STEFANEL S.P.A.

Capital Stock: Lire 71,500 million fully-paid. Registered Offices: Via Postumia 85, Ponte di Plave (Treviso), italy Treviso Company Register No. 15576 Code: 01413940281

#### PAYMENT OF DIVIDEND

At the Annual General Meeting of Stefanel S.p.A., held on April 30, 1990, the Stockholders authorized the payment of a dividend for 1989 of Lire 130 per share, gross of

This dividend may be collected on or after May 17, 1990, on presentation of coupon no. 4 at the registered offices of the Company, or at one of the financial institutions listed below: Banca Commerciale Italiana, Credito Italiano, Banco di Roma, Banco Ambrosiano Veneto, Banca Popolare Veneta. Cassamarca, Banca Popolare di Asolo e Montebelluna, Istituto Bancario S. Paolo di Torino, Banca Popolare di Verona, Cassa di Risparmio di Udine e Pordenone, Banca Popolare Friuladria, Banca Nazionale del Lavoro, Banco di Napoli, Monte dei Paschi di Siena, Banco di Sicilia, Banca Antoniana di Padova e Trieste, Banca di Trento e Bolzano or Monte Tito-II S.p.A. (for the shares it administers).

#### **CONSOLIDATED FINANCIAL STATEMENTS**

The 1989 consolidated financial statements of the Stefanel Group were also presented at the Annual General Meeting. In compliance with Italian Stock Exchange requirements, these statements are freely available on application to the registered offices of the Company. They have also been deposited at each Italian Stock Exchange.

> GILISEPPE STEFANEL Chairman of the Board

#### FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday May 14, 1990. . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. (Fr Fr) 9.3200 (Sp Peseta) 173.15 (Kwanza) (E Carr S) (Austral) (Florin) (Aus S) (Schilling) 0,3894 1,1467 1 19214 300.2319 650 13 (RiyaD 6.1110 4.5436 9.326 9.326 4.5436 2033.75 176.538 6.2952 466.00 8.9700 245.40 3.1058 4.1917 689.95 (C)
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Special Drawing Rights May 11, 1990 United Kingdom 50.790691 United States S1.32757 Germany West, D Mark 2.17044 Japan Yen204.977 Est United Kinddom 50.759614 United States S1.24451 Germany West D Mark 2.04449 Japan Yen190.535

c (a) Free rate; (b) Senimote rate; (c) Commercial rate; (d) Combrolled rate; (d) Essential imports; (d) Financial rate; (d) Esports; (d) Non commercial rate; (d) controlled rate; (d) parallel rate; (d) Selling rate; (d) Tourist rate (d) Correction fixed against the US 1 Sone data supplied by Bank of America, Exposuries Department of Trailing Centre, Exputries; (d) 634 436(1); (a) May 1990: Dinar detailed by approx. 3dpc. 4Microsco, 2 May 1990: Cordobn destinet by approx. 6dpc against the US Dollar. 4Microsco, 2 May 1990: Dirium dest

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ditions of the Notes, notice is hereby given that for the three mouths interest Period from (and including) 14th May, 1990 to (but excluding) 14th August, 1990, the Notes will carry a rate of interest of 15.35 per cent, per amount. The relevant Interest Payment Date will be 14th August, 1990 and the Coupan Automit per £50,000 Note will

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ce with the terms and co

May 15, 1990



Highlights of our Business Report as of December 31, 1989

1988 DM 4,335 million DM 3,816 million DM 3,066 million DM 2,554 million

DM 180 million

**Business Volume** Total Assets Deposits Bills and Advances Capital

DM 5,706 million DM 5,036 million DM 3.601 million DM 3,295 million DM 1,000 million

Cologoe/Frankfurt, May 1990

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# The facts about discount futures trading at Lind-Waldock

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#### INTERNATIONAL CAPITAL MARKETS

# Amex applies to trade warrants on XMI index

By Deborah Hargreaves

THE American Stock Exchange (Amex) has filed an application with the Securities and Exchange Commission to trade warrants on its XMI stock index in a move to extend its highly successful programme of Nikkei 225 and FT-SE 100 index warrants.

The Amex is also looking to establish information-sharing agreements with the French

agreements with the French and German authorities to allow it to trade warrants on indices from those countries. This follows the concern expressed in Tokyo over the exchange's Nikkel warrants in

The exchange says it will The exchange says it will tread softly in its relationship with the Tokyo Stock Exchange and give it time to complete a study of the reasons for the market's recent collapse before it broaches the idea of listing any more Japaneses transmitted. nese warrants.

But the warrants traded on the Amer are underwritten by leading brokerage houses and none has approached the exchange about a listing in recent weeks. The Amer trades two issues of put warrants on

the recent period of market volatility in Japan. the FT-SE 100. The new XMI warrants, which could be warrants, which could be launched within 6 weeks, will trade alongside the existing options on the 20 blue-chip stock index.

The warrants will be differ-

entiated from the options by their longer expiration terms — they will run over three years — and they will be sold in smaller denominations, making them more attractive. making them more attractive

to the retail customers.

XMI warrants are already traded in Europe, but this is the first time they would be available on a US exchange.

# TSE cool on government futures

LAST week's launch of trading in options on Japanese government bond futures met huge three and six-month maturities, each with seven strike prices. The trading unit is ment bond futures met huge trading volume but also scepticism by dealers, one of whom called the instrument an outmoded financial gadget, Reuter reports from Tokyo.

Dai-Ichi Mutual Life Insurance said: "We are unlikely to use the new instrument. We will anyway keep watching it to see how big it grows."

The Tokyo Stock Exchange launched the instrument in

ties, each with seven strike prices. The trading unit is Y100m. The options are US-style, allowing buyers to exer-cise them at any time before exuitation

expiration.

Dealers said the trading consisted mostly of ceremonial orders from themselves and from clients. They acknowledged most orders were from professionals and on a crosstrading basis, ineaning few were willing to take risks.

The most actively traded call option was on the September contract with a near-the-money strike price of 94.00 closing at 1.84 on volume of 12,453 con-tracts. The underlying Septem-ber futures contract closed at 94.91. Put options on the September contract with a 94.00 strike price finished at 0.71 with 11,268 contracts changing bands. Total volume of both June and September options contracts was Y21,369.6bn, the TSE said.

#### Quotron launches forex dealing system

A FOREIGN exchange dealing system intended to rival the dominant Reuters system was launched yesterday by Quotron, the Citicorp subsidiary, writes Richard Waters.

The system, known as F/X Trader, is currently being

tested in 20 dealing rooms in London and New York and will become available more widely later this year. A split screen allows the user to handle up to six deals on screen simultaneously. Quotron says it has already

received letters of intent to use the system from 350 banks around the world. The move into foreign exchange high-lights Quotron's diversification from equity markets, with fur-ther moves into fixed income markets scheduled.

FT INTERNATIONAL BOND SERVICE

Listed are the latest intere	etional	bonds for	r which th	ere is as	adequate secondary merid	t.	Clos	ing or	icas s	· m M	Lav
DS BOLLAR STRAKCHTS	in the same	Ski Sffer	-	Visit	YEDI STRAMMUTE	hood	204	ing pr C	inerge day v		Y
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The Figure 1 Times Ltd., 1990. Reproduction in whole or in part in any form not permitted without written Data supplied by DATASTREAM international.

#### INTERNATIONAL CAPITAL MARKETS

# Cash bund prices fall on W German election result

However, the bulk of the gilts market is so illiquid that

small market moves are exag-gerated into large losses or

gains — leaving the market prone to bouts of extreme vola-tility.

E CANADIAN bonds consoli-

dated yesterday after a week of impressive gains when the market surged by over 50 basis

points. The Canadian market has

been buoyed by a feeling that the outlook for inflation was

improving and that there was

some prospect of an easing in interest rates.

However, the April unem-

ployment figures which were released yesterday, were out-side market expectations and made some traders think they had been carried away by last

week's rally. The market is looking to sta-

hilise ahead of Friday's release of the consumer price index for

IN US Treasury bonds moved higher yesterday in a market which was encouraged by signs that interest rates had peaked and that the Federal Reserve would not be pres-

sured into tightening monetary

policy. In late trading in New York,

Anril

BENCHMARK GOVERNMENT BONDS

Goupon Date Price Change Yield ago

US TREASURY 8.875 05/00 101-22 +8/32 8.82 8.86 8.60 02/20 101-23 +18/32 8.50 8.64

FRANCE STAN 9,000 02/95 90.5048 -0.178 8.83 9.74 OAT 8,500 03/00 93,7400 +0.020 9.49 2.44

UK GILTS 10.000 4/93 92-09 +05/32 13.27 13.42 13.38 10.500 5/99 88-11 +05/32 12.50 12.59 12.59 9.000 10/08 82-11 -21/32 11.29 11.43 11.52

GERMANY " 7.750 02/00 94.5500 -0.650 8.58 8.50 8.63

CANADA \* 9.750 05/00 90.100 0.000 10.95 11.57 11.43 METHERLANDS ... 7.750 - 01/00 22.5900 -0,586 8.91 8.87 8.83

AUSTRALIA . 12.000 - 7/98 92.1176 -0.341 13.51 13.58 13.35

glits prices tumbled by about a
% of a point, but the market
was quick to recover. Market
players are still buoyed by Friday's hetter-than-expecta
retail price index showing a
yearly inflation rate of 9.4 per

By Deborah Hargreaves in London and Karen Zagor in Yew York

THE WEST German bond market suffered a setback yes-terday when cash bund prices dropped by as much as 65 premigs following Mr Helmut Kohl, the West German Chancellor, losing control of the Bundestat — upper house — in Sunday's local elections.

My MAYE.

As German bond traders take another look at the costs of the unification of Germany, some are beginning to think that last week's rally in prices may have been unfounded. The yield on 10-year bunds rose to 8.57 per cent yesterday and analysts believe there is little justification for them

going below 8.50 per cent.

The prospect of new supply continues to hang over the market and is made even more imminent by a majority for the SPD – socialist party – in the supply house

upper house.
Bund traders believe the Government could be forced to issue a new bund each month

#### GOVERNMENT

until the end of the year to fund unification since the SPD will be reluctant to pass signif-

icant finance bills.

The SPD is expected to want to slow down the process of unification and its control of the Bundesrat has probably precipitated the need for pen-German elections.
The rise in the producer

price index which was released in West Germany yesterday – showing a 0.5 per cent increase for April – was higher than the market's expectations. However, the near-term out-look for inflation is not of as much concern as the long-term inflationary impact of unifica-

■ IT WAS a volatile day for UK glits yesterday as the mar-ket was dominated by futures traders with their minds on technical charts.

Analysts were perplexed to explain the market's firmness in the face of unfavourable retail sales and producer price

figures.
When the producer price index was released showing a 5.9 per cent increase for April,

#### automate government bond trades

Technical Data/ATLAS Price Sources

yield curve, where the two-year issue was up to point to yield 8.5 per cent.

The Federal Reserve

arranged three-day system repurchase agreements when Fed funds, the rate at which

banks land to each other, were changing hands at 8% per cent. The funds ended the day at 8%

Although the dollar held

steady at midday yesterday in New York, at Y152.45 and DML6425, it falled to recover

its Friday's losses when it dropped from the Y155 level after the bond market surge.

The latest improvement in bond prices came in the absence of any significant economic news. The release of US business inventories for March.

which were unchanged at a seasonally adjusted \$794hn, failed to move the market since the figures were in line

The next important eco-nomic indicator is April's con-sumer price index, which is

due for release tomorrow.

Analysis expect the index to

reflect the moderation of infla-

tion, which was seen in the producer price reports on Fri-day and triggered the bond and

stock market rallies. The con-

sumer price index for April is projected to rise by 0.3 per cent, both on an overall basis and excluding food and energy

with market expectations.

By Tim Dickson in Brussels

THE MARKET in Belgiam Government bonds will receive a fillip on Friday when deals in a dozen insues are to be automated for the first time. Adding bonds to the Com-puter Assisted Trading System (Cats) of the Brussels Stock Exchange - details of which were amounced yesterday— is seen as an important step in Belgium's plan to breathe new life into its financial markets in the run up to 1992. Despite initial complaints

from outside users the view in Brussels is that since its launch at the end of 1988 Cats launch at the end of 1988 Cats has improved the transparency and added to the liquidity of the secondary murket in equities. The hope is that the same lengths will now flow from adding honds to the system, and that the development will usefully prepare the ground for the futures market to be set up in Brussels by Belfox next year.

set up in Brussels by Belfox next year.
Obli-Cats, as the new service announced yesterday is known, will consist of two types of bond: those that are continuously traded between 3.15 am and 4 pm, and those that are fixed at 12.30 pm — after a pre-opening starting at 9.15 am. The idea is that about 30 of the most liquid bonds. 30 of the most liquid bonds, notably those of the state and the Fouds des Routes, will join the continuous market. Deals here will be restricted to mini-

here will be restricted to mini-mum amounts of BFr5m.

The fixing market, by con-icast, is aimed more at smaller investors and will be regulated by the Fonds des Rentes, a part of the National Benk, All the 100 or so government bonds should ultimately be tradechie in multiples of as littie as BFr1,000.

The Brimeria Bourse also chose yesterday to

chose yesterday to unveil details of Bourse Data Partici-pations (BDP), designed to give subscribers "real time" information on shareholdings in quoted Belgian companies. Law now requires sharehold-ers with a stake of more than 5 per cent to declare them-selves both to the company in which they have their invest-ment and to the Belgian Bank-ing Commission.

# Belgium to US Treasuries' rally revives \$ sector

THE DOLLAR sector of the Eurobond market saw active new issuance yesterday, with \$1.25m of paper launched fol-lowing the strong rallies of US bonds late last week.

Deutsche Bank Capital Mar-kets launched the expected

\$300m five-year issue for Inter-national Finance Corporation as a fixed-price reoffered deal. The bonds were offered at 99.65 with a 9% per cent coupon to yield 48 basis points over Trea-

yama as take points over trea-suries, after price indications of 47 to 49 basis points. The issue followed an exten-sive investor road show by the IPC which wanted to establish a liquid benchmark at a spread appropriets in its credit reting appropriate to its credit rating. DBCM kept tight control over the syndicate and said European members had found steady interest from the start. An official said the bank had experienced good demand for its own allocation of around \$140m. Some co-managers said the pricing looked aggressive

#### INTERNATIONAL BONDS

and that initial placement was slow, but praised DBCM's handling of the deal. A small rally on the underlying Treasury market helped the issue, and towards the close DBCM was quoting the paper at 99.70 hid. Proceeds were swapped into floating-rate dollars.

The best reception went to a \$150m seven-year issue for

Japan Development Bank, hrought by LTCB International with a 9% per cent coupon at 101.70 to yield 59 basis points was the amiralent Treasury. over the equivalent Treasury. Investors grabbed at what

2Sbp Deutsche Bank 1%/1½ Nomura Ist. 1%/1.725 CSFB 10/5bp Credit Lyonnais 1%/1½ LTC8 Int. Deutsche Bank Cap. Mkts 13 1993 132/1 San Paolo Bank 101.80 2½ Credit Suisse 74 1014 2000 154 112/1 NatWest Capital Markets 101% #Floating rate notes: \$Convertible. •Final terms. a) Non-cellable. b) \$\frac{1}{2}\$ over 6-month Libor. Put and cell after five years at 100. c) Cell after eight years at 102 declining 1% p.s. d) Coupon pays \$\frac{1}{2}\$ over 6-month Libor. Cell at par June 1985 and on coupon dates thereafter. Fixed re-offer price. s) Amount \$40m reduced from original amount of \$50m. Conversion price \$14.95. (i) Coupon pays \$\frac{1}{2}\$ under 3-month Libor. Cell after five years at 160, g) Fungible with \$50m bond isunched March 1980. Issue price plus accrued interest. (h) Fixed re-offer price.

they saw as quality paper despite broad agreement among underwriters that the pricing was in line with other Japanese government-guaran-teed borrowings. The bonds were quoted very comfortably inside fees at less 1.40 bid, implying a spread of around 53 basis points. Proceeds were

US DOLLARS

us politatis
Int. Finance Corp. (a)(h) 
Swedish Nat. Housing Fin.(a) 
Ford Capital(a)(h) 
Aitus Finance(d) 
Agaan Development Basis(a) 
Cellular Int.(e) 
6

SWISS FRANCS Calese Nat.des Telecomm.(c)

AUSTRALIAN DOLLARS

Proctor & Gamble(s)

D-MARKS Maw Zeeland(f)‡

Okobank(b)‡

swapped into yen.
Ford Capital also tapped the seven-year maturity range with a \$250m issue via Credit Suisse First Boston. The bonds were priced at 101.635 and were re-offered to investors at 100.06 to yield \$2 basis points over

ressurles. Syndicate members said there was limited institutional demand for the paper, but reported steady Swiss retail interest. When the syndicate was broken towards the close of trading, CSFB was quoting the bonds at 99.90 bid. Later in the day, Nomura brought a \$300m five-year issue

for SBAB, the Swedish housing finance institution. The bonds were attractively priced to yield 74.4 basis points over Treasuries and Nomura reported a steady early response, quoting the paper around full less at less 1.65 bid. It was thought that the proceeds were swapped into fixed-

NEW INTERNATIONAL BOND ISSUES

In Germany, a DM300m float-ing-rate note for New Zealand was launched by CSFB-Rifec-tenbank to a slow reception. After the recent spate of FRNs, traders reported some indiges-tion and said the new paper was correctly priced at h under three-month Libor. CSFB was quoting the paper at 99.65 hid, a discount outside co-managers' fees and equivalent to full underwriting and listing fees.

A DM200m FRN by Okoleak launched late in the day by DG Bank had a similarly restrained start.

quiet primary market, a SFr200m 10-year deal for Calsse Nationale des Telecommunications met strong demand. Crédit Suisse, the lead manager, said it had sold nearly all its paper and the bonds were trading around less 1% bid, way inside full fees of 2% percent. San Paolo Bank was the lead

manager of a successful L 125bn deal for Procter & Gamble, the company's first Eurolire issue. Amid wide European demand, mainly from Switzerland, Austria and the Benelux countries, the bonds were trading at less 1.20 bid, against full fees of 1% per

Goldman Sachs is launching a \$50m closed-end investment fund, the New Asia Fund Ltd, with the objective of long-term capital growth via equity investment in Asian countr The investment adviser is

# Crédit Lyonnais aims for Belgian savings

CREDIT LYONNAIS Belgium, a subsidiary of the leading French banking group, yester-day made an aggressive pitch for a slice of the Belgian savings market with the launch of two new investment

fromcas.

Mr Eugene Teyern, managing director of the bank, said that the move was prompted by the "unexpected speed with which the single European market is approaching" and claimed new competition in

retail banking could have big macro economic implications for the country.

He explained the recent reduction in the rate of withholding tax on bond and bank interest from 25 to 10 per cent had been a big factor in the Crédit Lyonnais decision.

"What this has done is to reduce the facal incentive offers are already available from small banks in Bell." reduce the fiscal incentive for consumers to stay in tradi-tional passbook accounts, which are exempted from with-holding tax. We estimate that

In Switzerland, despite a

able from small banks in Bel-gium but Mr Teysen says that what makes yesterday's announcement special is the Crédit Lyonnais name and the

LONDON TRADED OPTIONS

fact that it has a desable distri-

fact that it has a decable distri-bution network in the country with 50 branches and 80 inde-pendent agents.

Crédit Lyonnais says that there is BFr2,200bn tied up in passbook accounts and BFr2,800bn in certificates of deposit. The bank vesteriay deposit. The bank yesterday also announced increases for one, two, three and five-year certificates of deposit which take the rates in each case roughly half a percentage point above typical market levels.

#### LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

: '	o Tim (financial Time in conjunction with th										ŕ	
EQUITY GROUPS		Marie Marie Marie	Monday May 14 1998						Fri Thu Wed May May 11 10 9		Year ago (approx)	
	& SUB-SECTIONS		11	Est.	Grost Div.	Est. P/E	and sold					
lg	ures in parentheses show number of stocks per section	indux No.	Day's Charrigo	Earnings Yield? (Max.)	Yield % UACL at (25%)	Ratio	xi adj. 1990 to date	indes No.	index lin.	Index No.	index No.	
1	CAPITAL 6000S (199)	836.48	+1.0	13.90	5.42	8.71	15.78	827.96	823.00	824.27	972.8	
4	Building Materials (27)	1020.75	+0.4	15.53	5.82 6.31	7.95	21.72 33.20	1016.58 1291.68	1011.69 1291.09	1010.46 1289.46		
1	Contracting, Construction (36) Electricals (10)	2414.69	+0.7	18.64 11.78	5.55	10.44		2404.93	2375.49			
7	Electronics (29)	1900 15	+23	10.04	410	12.89		1769.01		1747.88		
J	Engineering-Aerospace (B)	45.57	10.4	14.62	5.22	8.16	9.31	453.66	442.43	442.16	0.0	
1	Engineering-General (43)	457.39	10.4	12.46	5.47	9:70	8.17	455.37	453.09	455.68	0.0	
٩į	Metals and Metal Forming (6)	3 482,22	+1.2	24.36	6.46	4.63	0.53	476.47	473.63	471.48		
ð	Motors (16)	331.04	+0.9	16.70	6.81	6.99	9.56	328.01	327.76	337.60		
	Other Industrial Materials (24)	1520.95	+1.2	11.66	5.24	9.91	33.09	1503.24	1492.19	1496,66		
	CONSUMER GROUP (178) Brewers and Distillers (21)	1212.78	+1.3	9.81 9.96	4.07 3.85	12.65 12.19	12.56	1197.15 1406.17	1185.87	1389.32		
	Food Manufacturing (20)	1052.80	+1.3	10.64	4.47	11.65	16.98	1039 %	1028.59	1028.26		
ı	Food Petalling (16)	2258 17	+1.6	9.66	3.49	13.95	- 22.97	2236.25	227114	2245.83		
il	Health and Household (I.4)	2541.74	+1.8	6.80	2.74	17.52	20.36	2497.91	2462.00	2439.75		
Н	Leisure (32)	1346.97	+0.7	10.71	4.43	11.39	18,28	1338,17	1332.26	1317.17		
	Packaging & Paper (12)	562.29		13.04	6.03	9,80	11.83	558.74	558.94	553.15		
2[	Publishing & Printing (16)	<b>13227 19</b>	+0.7	10.39	5.36	12 13 10.64	50.81 2.25		3146.42 718.85	3161.68 719.27		
4	Stores (35)	A54.24	-13	14.80	7.84	8.51	13.26	728.38 460.33	457.63	455.89		
	Textiles (12)	1103.91	+1.4	11.49	5.18	10.42	10.37	1088.90	1078.29	1080.71	1103.2	
1	Agencies (17)	1546.33	+0.7	6.46	2.55	18.70	14.99		1537.01	1543.74		
2)	Chairman Le (1971)	13 20% 39	+14	11.85	5.47	9.87	28.52	1189.33	1171.07	1169.59	12427	
3	Conglomerates (14)	1576.59	+3.0	10.13	6.25	11.61	14.41	1531.34	1508.74		1611.4	
ī.	Transport (13)	<i>[2</i> ]41.42	+0.7	. 11.14	4.60	11.45	26.91	2125.84	2107.88	2104.60		
Ы	Telephone Networks(2)	1082.99	#1	11.72	4.73	11.09		1070.83	1061.40	1071_57		
		1886.96	+11	18.47	7.18 5.00	6.00 9.31	18.70	1867.20 1684.17	1850.14	1859.53 1679.49	0.0	
4	Miscellaneous (26)		+0.6	11.34		10.74	13.32			1073.77		
	INDUSTRIAL GROUP (482)	1097.41	+1.3		4.75			1083.75			_	
Ц	011 & Gas (18)			12.01	5.39	10.99	46.43	2193.02	2172.21	2202.31	_	
9	500 SHARE INDEX (500)	1193.93		11.44	4.84	10.77	15.95		1166.02	1167.77		
	FINANCIAL GROUP (110)	765.39	+1.5		5.96		18.66	754.04	753.04	757.60	759.5	
	Banks (9)	816.19 1312.81	+2.0	20.20	6.59 5.59	6.48	25.62 36.94	800.48	80L71 1266.24	805.90 1266.10	762.4 1077.0	
			+1.7	-	6.47		19.43	628.25	626.69	637.21	601.0	
7	Insurance (Composite) (7)	1075.51	+0.8	8.04	6.05	16.38	27.41	1066.85	1066.85	1066.61	992.3	
R	Marchant Banks (7)	414.00	+0.5		4.60	-	4.85	412.02	411.17	415.19		
ai	Property (49)	1062.59	40.1	8.34	4.23	15.27	8.35	1061.19	1057.93	1060.54		
O	Other Financial (25)	<u>.1 297.25</u>	+0.5	14.99	7.51	8.74	4.54	295.70	295.67	297 <u>.34</u>		
ı	Investment Trusts (67)	1165.16	+1.4	J -	3.29	-	10.73	1149.12	1140.71			
ľ	Overseas Traders (5)	.0287.46		9.58	7.09	12.79	42.87	1283.42	1283.51	1278,16	_	
	ALL-SHARE INDEX (682)	1090.89	+1,5	-	4.97	:	16.34	1074,94	1066.78	1068.97	1105.7	
1	2	fadex No.	Day's Cisasoe	Day's High (a)	Day's Low (M)	14.09 11	May 10	May	May 8	May 4	Year	

	FIXED INTEREST							AYERAGE GROSS REDEMPTION YIELDS	Mon May 14	Fri May 11	Year ago (approx
	PRICE INDICES	Mon May 14	Day's change %	Fri May 11	xd adj. today	xd adj. 1990 to date	1 2	British Generational Low Syears Coupons 15 years	11.66 11.29	11.62 11.18	9.56 9.21
3 4 5	Over 15 years Irredeemables	113.57 117.48 121.54	-0.12 -0.21 -0.07	113,54 117,62 121,80 137,62 118,39		4.71 4,96 4.77 6.12 4,91	67 8 9 20	Aledium 5 years. Coupons 15 years. 25 years. High 5 years. Coopous 15 years. Fredecoarables. Tadex-Linked inflation rate 5%. Up to 5 years.	11.15 12.94 11.74 11.24 13.04 12.06 11.54 11.11	11.05 12.91 11.71 11.22 13.03 12.04 11.53 11.10	9.03 10.64 9.65 9.22 10.76 9.87 9.40 9.03
7	Over 5 years	143.93 135.32 135.85	+0.09	143.78 135.20 135.73	1 1 1	1.49 1.38 1.38	12	inflation rate 5% Over 5 yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Over 5 yrs.	4,27 4,22	4.28 4.25 4.08	3.56 2.63 3.42
	Deheslaris & Laure	95.70	+2.03	94.40	0.62	3.92		Beis & .5 years	14.95 13.80 13.43	16.16 13.96 13.63	12.13 11.56 11.13
10	Preference	73.80	+0,17	74.12	0.45	2.52		Preference	12.54	12.53	

# British Funds Corporations, Dominion and Foreign Bonds Industrials LONDON RECENT ISSUES FIXED INTEREST STOCKS Isaac Prise S Avecant Latest 1990 Paid Remote High Low 100 102,45 100p 100p 100p F.P. F.P. F.P. F.P. F.P. | 1811 | 90 | Riberthird Tupe 12 to Cr. Uses, Le. 2005. | | 1854 | 1854 | 90 | Destroyed Scrope 100 pc (lind) Or. Con. Pf. | | 1854 | 90 | Destroyed Scrope 100 pc (lind) Or. Con. Pf. | | 1954 | 90 | September 1 to pf. In. 11 to pc Cr. Bits 2205 | | 1855 | 250 | Research 1 to pf. In. 11 to pc Cr. Bits 2205 | | 1855 | 350 | Wysthern force 9 3.75 pc Con. Pf. | | 1855 | 350 | Watch 1 linds 8.5 p Obed 84.00. Pf 28 p. | RIGHTS OFFERS 20 bill - Gyen Agen Alled into Backs 29 hill - Gyen Agen Alled into Backs 29 280 - Zegen Dyen Alled into Backs 29 280 - Zegen Dyen American Large 23 280 - Zegen Dyen Harrison & Crod Initial 280 - Zegen Dyen Harrison & Dyen Harrison & Crod Initial 280 - Zegen Dyen Harrison & Dyen Harrison & Dyen Harrison & Dyen Harrison 280 - Zegen Dyen Harrison & TRADITIONAL OPTIONS First Dealings May 8 Last Dealings May 18 Last Declarations Aug. 2 For settlement Aug. 13 For rate indications see and of Catis in Amber Day, Goelle if Tamaria, Holmes Protect Lloyds Chemists, Tusker I Mocca Lais, and Meeksthars.

- 1					-	MINOM INDED OF HUNS
Same	A OTDO	AVC		alaak	Indon	futures market led the cash index ing adventage of this discrepancy
Same 23 17 758 363 35 8 89 106	A STRO					higher. by selling the former and buying
756	higher y					just before the futures market the letter. One dealer said the
363	the eque					closed the June contract lack of stock made such trades
30	London's	e edinid	/ QBIT	AFTIA	- ATTEN	resistance level. Buy-stops were in the options market, dealers
89		rectul ri	ee on	Well	Street	triggered, and, according to one said there remained a shortage of
	on Fride					dealer "there was an explosion of interest." Once again, County FT-SE lots changed hands. Yes-
1,399	early bo					interest." Once again, County FT-SE lots changed hands. Yes- NatiWest were a strong. FT-SE lots changed hands. Yes- terday's total was divided
	at the 4					The June contract closed at between 10,328 calls and 6,963
	establis	hed las	it was			2,252, up 37 points on the day, puts, with the May 2,200 call
	underlyi	ng Inde	E a	-111-0		having traded a busy 6,217, while series the busiest.  September, on 1,054 lots, also The latest Quality of Markets
	some ile	na-reie				attracted attention, June's closing report from the London Stock
—— J	zions by					premium over the cash index market showed that during the
<u> </u>	Wall Str					stood at 40 points, compared with first quarter of this year, traded cotions turnover fell by 7 per cent
1	But a :					peaters said the squeeze in the from the previous quarter,
P/5	sparked					tutures and cash markets had reflecting a slightly larger fall in
P/E lest Ratio	for the					prevented arbitrageurs from tak-
			CHIE		WES.	CALLS POTS CALLS POTS
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						*Linderlying security price. † Long dated explry matter

S&N set to contest

'incredible' \$83m

#### UK COMPANY NEWS

Meetings of bank lenders and customers fail to come up with any conclusions

# **B&C** waits as bankers consider survival plan

BRITISH & Commonwealth Holdings' principal bank lend-ers left Barclays' Lombard Character States of the per cent write down on their Street offices yesterday with-out formulating a firm response to the troubled financial services group's survival

"They have gone away to consider it", a bank spokesman said. The group is expected to reassemble for further consul-tations in two or three days'

It is thought that the future of Mr John Gunn, B&C's chief executive, was also discussed at yesterday's meeting. The package, produced by SG Warburg – the merchant

HE BRITISH & Com-monwealth debacle has

trained a somewhat unaccustomed spotlight onto the activities of Law Debenture

Corporation, the City of Lon-don's only independent corpo-

LDC acts as trustee for three series of bonds issued by the

stricken financial services group. Earlier this month,

however, it appointed Royal Exchange Trust as its attorney to exercise independently the

duties of trustee on one of

these – the 7% per cent convertible unsecured loan stock 2000 (CULS) – fearing a possible conflict of interest.

Corporate trustees are employed to represent the interests of the lenders of a

interests of the lenders of a broad range of secured and unsecured corporate and sover-eign debt. This generally entails policing the associated trust deed. It usually includes arbitrating the circumstances under which the issue might become immediately due and repayable. Should such circum-

repayable. Should such circum-

stances occur, it would nor-

mally be empowered to insti-tute proceedings for the winding-up of the borrower.

Associated fees - 25,000 to 210,000 for a secured issue and

22,500 for unsecured debt — are relatively low, however.

With the expansion of the

Euromarkets, the bulk of trusteeships are now awarded for Eurobond issues. This type of business has outstripped that available from what one player

In the event of B&C's liquidation, the bank spokesman said, senior lenders expect to lose about 30 per cent of their investment, with other creditors receiving noth-

Meanwhile, about 220 worried customers of Atlantic Computers, B&C's collapsed computer leasing subsidiary, gathered in London yesterday to hear the administrator John Soden warn that there was no magic wand and that Atlantic's financial difficulties could not

described as "old-fashioned UK

corporate issues" over a 10 to 15-year period. LDC, which thinks it has

"the majority of the market", is active in both these areas.

Other leading participants include Bankers Trustee Co, a wholly-owned subsidiary of

Bankers Trust, and various

Japanese trust companies and

LDC also acts, in the words of Mr David Norris, trust man-ager, "for the new breed of sec-

uritised issues secured on

things like mortgages". Recent annual reports have empha-sised the increasing complexity and sophistication of the

irustee's rule.

A small proportion of its

business is with sovereign bor-

rowers. In the group's 1987 report, it noted that it had had

"the privilege to be appointed trustee" for the financing for

All told, the company is trustee for more than 1,800 debt issues. It is also an

authorised investment trust.

298.3m at December 31, 1989. In 1989, the group made pre-tax profits of £4.94m on gross revenue of £8.04m. A total of £3.31m of this overall revenue

figure was attributed to "trustee and other fees" - up

from just £709,000 in 1980. "Trustee services" contributed 2980,000 (after profit sharing

costs) to pre-tax profits - an increase of more than 21 per cent from the £807,000 contrib-

with investments valued at

be wished away. Each lease was different, the administrator said, and customers would have to examine their documen-tation carefully to understand exactly what their liabilities

Were.

He said they should continue to make leasing payments in the normal way. Where, however, Atlantic had merely been acting as a postbox between lessee and head lessor he would be prepared to allow direct payment to the head lessor if he believed the documentation was in order. tation was in order.

The meeting was organised by the IBM Computer Users'

David Owen on Law Debenture Corp, thrust into the limelight cast by the B&C affair

It was as a financial trust that this exceptionally blue-blooded institution was incor-porated in 1889. The list of its founders includes Edward

Cazenove, Pascoe Du Pre Gren-fell, Walpole Greenwell, Charles & Gerard Hoare, the then Lord Mayor, the Duke of

Wellington and no fewer than

12 Members of Parliament. The

company was awarded its first overseas trusteeship - for the

Kansai Railway Company of Japan - in 1905 and its first

Eurobond trusteeship 69 years

has been in the news since it certified on April 27 that events had occurred that were

materially prejudicial to the holders of bonds under its trusteeship, but decided against "presently" calling default.

This stance would apply "so

long as current arrangements designed to prevent preferences in favour of banking creditors are adhered to and it

remains otherwise satisfied

that the interests of its benefi-ciaries will not be further prej-

udiced", the company said at

Its decision has incurred the displeasure of some of the CULS holders who believe

their interests might be better served by forcing B&Cs liqui-dation, rather than awaiting a proposed survival plan cur-

rently being pondered by B&C's principal bank lenders.

the time.

With regard to B&C, LDC

Securing unsecured trust in a corporate trustee

questions were submitted

Association and the European Computer Leasing and Trading Association.

More than 90 written

in advance covering all aspects of Atlantic's leasing contracts, giving a clear indication of how little the documentation had been understood by data processing managers or corporate finance departments.
The questions ranged from

"who holds the title to our leased equipment?" to "can we refuse to make further pay-ments to Atlantic?" it is now clear that a number of companies, especially

A French tunniller at work in the Eurotennel. LDC was 'privileged' to be appointed trustee to its financing

"This is a unique scheme

IN BRIEF

smaller ones, may have to make extra or duplicate payments if Atlantic failed to pass the required payment on to the head lessor in the

Mr Michael Moore, IBM CUA chairman said: "There are a lot of embarrassed data processing managers as a result of this affair talking about their jobs being on the

Computer Systems Develop-ment and CSD (UK), two Atlantic software and support subsidiaries, have been sold as going concerns by the adminis-trators to Redditch-based AT&T Istal.

## IMI chief warns of worsening

metals group, has warned of a alight worsening of trading conditions affecting some of its UK activities.

assess prospects, although most of the businesses had continued to advance in the

continued to advance in the first quarter.

Last year, IMI increased pre-tax profits by 16 per cent to £125.3m on sales of £1.08bm. Its gearing was reduced to little more than 5 per cent and 53 per cent of its sales lay

53 per cent of its sales lay overseas.

Mr John Metcalf, company secretary, said IMI was making a few cautionary noises rather than "doing a GKN."

He was referring to last week's warning from the automotive and engineering group that its profits would be hit this year by the interest rate squeeze and reduced demand in some of its markets. The gloom affecting the UK industrial sector was made a little deeper by news of "belt tightening" at T&N, the vehicle companients and materials group.

Mr Metcalf said IMI's build-

Mr Metcalf said IMPs build-ing products division, which last year accounted for a fifth of profits, was feeling the effects of the UK housebuilding slumn, for example in the market for copper cylinders for water heating systems.

The softening of demand

was entending to commercial and industrial construction, and to northern parts of the

UK. In the US, the market had continued to be flat for drink dispensing equipment.

However, Mr Metcalf stressed the group's defensive qualities because of its geographic and product diversification. For instance, sales remained strong in continuental Europe and the titanhum business was benefiting from continued buoyancy in the acrospace industry.

IMI's share price slipped 3p to 227p yesterday.

average proprietors' funds is 17 per cent. This will rise by

stages to 6 per cent when the return is 36 per cent or higher.

Mr Young said the scheme would return the humanive element to staff profit sharing.

The bank is also planning to allow shareholders to opt for dividends in stock rather than each "The authorized capital".

cash. The authorised capital will be increased by £12.5m to £466.8m for the stock dividend.

Both proposals will be put to shareholders at an EGM after

the annual meeting on June 5.

#### trading By John Thornhill SMITH & NEPHEW, the DMI, the Birmingham-based ealthcare and consumer products group, has had \$83m (£50m) damages awarded against one of its US subsidiaries for breach of contract aries for breach of contract and misappropriation of trade secrets concerning materials used in artificial joints. S&N said yesterday that it would vigorously contest the award but the legal action is continuing and further costs and damages may be awarded seging the company. At yesterday's annual meeting, Sir Eric Pountain, chairman, said the clouds hanging over the UK and US economies "certainly have not blown This made it difficult to

and damages may be awarded against the company.

Although the City knew of the litigation it was surprised at the scale of the damages and S&N's shares, ex-dividend, yesterday fell 3p to 106p.

One analyst had expected damages of less than 210m but noted that S&N's shares had drifted down from 125p after the company reported a lacklustre set of 12-week results last week.

Mr John Robinson, chief executive, reacted strongly to the news. "The award is quite incredible. It bears no relation to the issues involved and we will pursue all legal action to the ultimate," he said.

The civil action for damages was bought by Politeco, a California-based materials com-

damages award pany. The award was made by the Superior Court of the State of California in the county of

San Mateo. The dispute concerns an agreement for the development of advanced technology for orthopaedic implants, such as hip and knee joint replace-

In 1987, Smith & Nephew Richards, S&N's US subsidiary, signed a \$140,000 agreemen with Polteco to research and develop a longer-lasting mate-rial for use on the surfaces of its implant components.

The following year a dispute arose between the two companies over the extent to which such a material had been developed S&N claimed yesterday that the requisite standards had not been met and that a licence agreement with Polteco had therefore not been

igned. S&N claimed that it did not use, and had never used, any of Polteco's technology. Smith & Nephew Richards was formed in 1987 after S&N had expanded in the US market through the acquisition of Richards Medical, an artificial joint manufacturer, for \$283.9m

#### Coloroll's rescue package expected this week

By Alice Rewathern

COLOROLL, the home products group which is strug-gling to save itself from receiv-ership, is expected to announce

Warbury is now doing the rounds of the institutional investors to sound out whether or not they would be prepared to support the proposals. Colo-roll is expected to make a statement to the stock market-before the end of the week out. lining the details of a rescue package.

home announced that it needed to strug- reduce its debts by finding a receiv- fresh injection of capital in a proposals for a financial restructuring proposals as a financial restructuring proposals as a financial restructuring proposals as a financial restructuring proposals and financial restructuring proposals and financial restructuring proposals and financial restructuring proposals for a financial restructuring proposals and financial restructuring proposals for a financial restructuring proposals and financial restructuring proposals for a financial restructuring for a financial restructuring for a financial restructuring for a financial restructuring for a fin

would not be prepared to sup-port a rights issue.

One option would be to ask shareholders for a direct injec-tion of capital. It could also ask its bankers for a reduction in its debts or bring in an exter-nal investor which would emerge with a substantial stake in the company.

The comeanurs in the City is that the institutions are divided as to whether or not to

The group is now trying to The consensus in the City is cut costs under Mr Kenneth that the institutions are Marks, who took over as chair divided as to whether or not to man when Mr John Aschroff support Coloroll. Some are said resigned in March.

Earlier this year Colorols morey into the group.

#### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
iolines & Merch*)fin iunick §int lerborough Plantint MD Advert §int ockwood §fin raker Greenbankfin	0.53	Sept 30 July 6 June 26 July 2	3 0.5 0.5 1.5 0.45 1.25	0.45 2.75	7.5 1.8 2 5.25 0.75 2.25
ividends shown pence	per sher	w not over	ni when	othoowles	-

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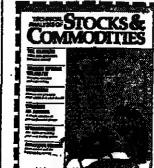
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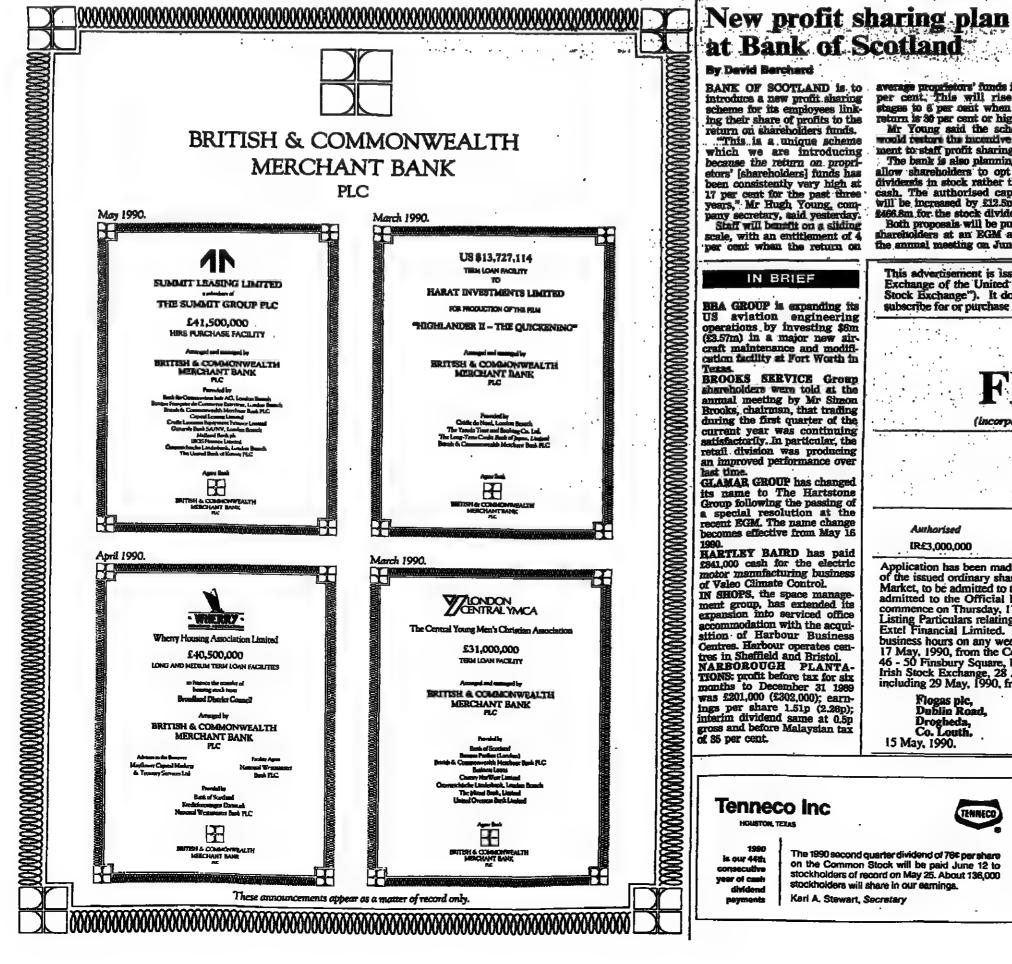


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NA MAY 1218

Two marketing services companies avoid the sector's downturn

# Holmes & Marchant rises to £3.6m

group, has emerged unscathed from the downturn in the marketing services sector by increasing pre-tax profits by 14. per cent to £3.64m in the six the biggest single area of activ-

months to March 31.

Mr John Holmes, chairman and chief executive, said most areas of activity had not been affected by the downturn. The only exception, he said, was sales promotion where the pat-tern of trading had been

rather volatile"

HOLMES & MARCHANT; the reflecting Holmes' policy of had performed well design and sales promotion concentrating on consultancy. Similarly the advertising and group has emerged unscathed work, rather than on ad hoc public relations businesses had projects. Operating profits advanced to £4.2m (£3.56m). The design division, which is

ity accounting for 50 per cent of turnover, achieved a 20 per cent increase in profits.

Holmes has sold its small

interior design company which specialised in retail design, one of the weakest areas of the design market to the management. Mr. Turnover was up just 3 per Holmes said the packaging and cent to £30.7m (£29.71m) corporate design consultancles

been unaffected by general cuts in marketing budgets.

Bolmes' advertising agency specialises in food retailing, where expenditure has remained relatively resilient.

The sales promotion side represents 25 per cent of turnover. Mr Holmes said the market had become more competi-tive and, although short-term projects were going ahead as usual, clients were more cautious about sanctioning longer-term programmes

Holmes paid £554,000 (£359,000) in interest on borrowings, which now stand at \$10m. The main reason for the rise in debt is that the group now makes most of its carnouts, or deferred payments on acquisitions, in cash rather than shares. Holmes has paid £5.4m in earn-outs this year

and expects to pay another 26m over the next three years. Earnings per share rose to 13.7p (12.7p) and the interim dividend is lifted to 8.3p (3p).

# Holmes' share price rose 9p to 173p on yesterday's announce-

### TMD bucks trend with 58% improvement

Important in the LLA writes in the LLA writes in the LLA writes in the LLA writes and in some cases, in the marketing services sector by announcing a 58 per cent increase in pre-tax profits from the LLA in the LLA writes are to February 28 1990, writes aged to increase profits in spite to february 28 1990, writes to February 28 1990, writes. Alice Rawsthorn.

In recent months the mood of the advertising industry has become increasingly gloomy as the combination of high inter-est rates and the slowdown in consumer spending has forced companies to prune their mar-

in profits and, in some cases, losses. USM-quoted TMD — in which Aegis, the European media buying group, holds a 29.9 per cent stake — has managed to increase profits in spite of the industry.

industry.
- Nonetheless, its share price yesterday fell by 80 to 280p.
Mr Roger Powley, finance director, said the group had suffered because some of its longstanding clients had

pensate for the shortfall on existing accounts.

THE also benefited from the contribution of recent acquisi-tions, including Harrison Salinson, the specialist outdoor advertising consultancy. How-ever it made a small loss on Michael Jarvis & Partners, a company specialising in inter-national madia.

Turnover rose to 294.45m (266.15m). Earnings per share increased to from 10.4p to 12.5p

reduced budgets or postnoned campaigns.

But, he said, it had won enough new business to commend to win new budgets. since the end of the first half. It has already gained some accounts - including BSN, the French food group, and Given-chy perfumes — as a result of its association with Carat, the French media-buying business

owned by Aegis.
TMO was "on course for a good year", he said, although the slowdown in the advertising industry was making the media-buying market more

#### Lep expands into East Germany

By Andrew Hill

LEP GROUP is to expand its freight forwarding and distri-bution business into Rast Germany through a joint venture between one of its West Ger-man subsidiaries and Dentrans, the state-owned trans-

trans, the state-owned transport operation.

Lep-Lassen, will have its head office in Berlin and offices in 17 other Rast German cities. Lep is to inject DM300,000 (£108,000) cash for a 60 per cent stake with the halance held by Deutrans.

Mr John Leach, Lep's managing director, said that Lassen, the UK group's West German freight forwarding business, would extend its technological expertise and computer network into East

computer network into East

Germany.

"We employ about 1,200 people within Lassen at the moment and we look at it. moment and we look at it really as a way of extending our German operations to 1,500 people overnight, rather than jumping on the East Ger-man bandwagon," he said Lep, which also owns a West German discribution ambald-

iary, Wohlfarth, already has sales delegations active in other east European countries

# Character Hotels sale could raise up to £100m for Mecca

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE announced yesterday it is to sell its 16-strong Character Hotels division as part of its present strategy of disposing of assets to reduce gearing.

Mecca hopes to raise between £70m and £100m from the sale and is confident of achieving a firm price in spite of the glut of hotels at present

on offer in the UK.

They are not just bed-factories' but individual hotels reflecting an attractive histori-cal property," said Mr Ian Baker, executive director.

A total of 814 hotel rooms in the UK together with a 100-room hotel in Ostend are included in the package.

Most of the hotels are sited in rural locations on the edge of builture areas in the Mid-

of built-up areas in the Midlands and north west of England.

Mecca is seeking initial

offers, through its advisers
Samuel Montagu, by June 8
and companies short-listed will
be required to submit final
offers by June 22.
Mecca last month sold one of its Character Hotels - the 19th century Royal Hotel in Kettering, Northamptonshire - to Periouito Hotels, the embry-onic hotel group being devel-oped by three former Holiday

inn senior executives. Trade sources suggested that

Mecca's Character Hotels now on sale would form an attractive group for a potential buyer because of their location.

British hotels have been changing hands rapidly in recent weeks, suggesting that the market has improved sharply.
Last month Mr John Jarvis,

former chief executive of Hilton International hotels, bought the 43-strong Embassy chain from Allied-Lyons for £202m. Vaux Breweries also recently sold six hotels for

Still in play, however, is believed to be Bass's Crest hotel chain, for which Trusthouse Forte has reportedly been interested

One potential bidder for the Mecca hotels could be Mr Peter Tyrie, former managing direc-tor of the Mandarin Oriental hotel group and now chief

Mr Tyrie and his colleagues last month failed to gain control of Norfolk Capital, which eventually was sold to Queens

executive of Balmoral Hotels

Moat Houses. Mocar's need to sell its Char-acter Hotels group follows the disastrous City reaction to its financial results at the begin-

ning of April. Mecca had failed to reduce its gearing following the £750m acquisition of Pleasurama in late 1988 by selling off assets, although it was successful in combining the Pleasurama management into the Mecca

Mecca's pre-tax profits of £911m were way below market forecasts because of the cost of servicing the Pleasurama deal. This led to a substantial downrating of Mecca's shares and a knock-on effect on the leisure sector as a whole.

#### Coats Viyella disposal

Coats Viyella, the textiles group, has sold the bulk of an engineering subsidiary to management as part of its pro-gramme of disposing of non-core activities, writes Jane

The management of Hermitage Precision Engineering formed a company called

Noblemans to buy the energy equipment and special projects division of Hermitage for \$4.4m, of which \$3.9m is pay-

able on completion. The senior debt has been provided by the Bank of Scot-land and Lloyds Development Capital is an equity



SMITHKLINE BEECHAM, the Angio-American pharmaceuticals and consumer goods company formed last July, had got off to a solid start, Mr Bob Bauman, chief executive, told shareholders at the company's first annual meeting in London yesterday, writes Peter Marah.

Mr Bauman said SB hoped to cut costs and increase margins over the coming year as a result of efficiencies resulting from the combination of the salesforces from the two groups which merged to form the company.

SB resulted from a marriage between SmithEline Beckman of the US and the UK's Beecham to form the world's second biggest drugs company, counting medicines sold both on prescription and over the counter. The combination was one of the first of a series of large mergers in the world's pharmaceuticals sector over the past year.



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Agent: Morgan Guaranty Trust Company

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#### UK COMPANY NEWS

# **Bell Fruit acquisition** helps Kunick hit jackpot

machines and nursing homes group, announced pre-tax prof-its of £8.02m for the six months ended March 31, up from \$3.24m last time. The driving force behind the outcome was the Bell Fruit amusement business, bought last August for

Trading profits from the UK amusement machine busin which operates some 42,000 machines, increased from Smith, chairman, said that the performance had been better than expected and came in spite of difficulties with the introduction of 20p stake machines in January, instead of the 10p maximum stake in operation for the past nine

"The increased stake caused a certain amount of player resistance initially and the first machines introduced did not overcome this," he said.
"Subsequent machines have,
however, shown very good results and we expect a sub-stantial benefit in profitability building up during the second half of this year with the full effect coming through next

About £1m extra profits were likely this year as a result of the higher stakes.

POLLY PECK International, the electronics and fresh pro-duce group, has raised £142m in a sale and leaseback deal with a consortium of Norwe-

gian companies involving mine refrigerated cargo vessels.
Polly Peck acquired rights to

the vessels last year as part of its purchase of the Del Monte

fresh fruit operation, bought for 2557m from BJR Nahisco, the US tohacco and food group. Mr David Fawcus, finance director, said the deal would reduce Polly Peck's gearing

By Andrew Bolger

Polly Peck raises £142m

in sale and leaseback deal

Amiro, the amusement machines business in France, also saw an increase in trading profits, from £750,000 to £1m. The company had a dominant market position and was performing strongly, Mr Smith said. He saw substantial opportunities for development in

The nursing homes achieved trading profit of about £1m

(£750,000).

Acquisitions helped increase the number of back offered at the top end of the market from 463 to 740 and more beds will be added in the current half. be added in the current half.

Among the company's other activities, the London and York Dungeons reported record daily attendances on Good Friday. The leisure operation will receive a boost in the second half from the opening of a similar operation in Paris next roomth. next month.

charge of £220,000 being the cost of moving from the USM to the full market in March. Turnover was £50.69m (25.43m). Earnings per share came out at 2.24p (1.92p) basic or 2.38p (1.90p) fully diluted. The interim dividend is raised

There was an extraordinary

from 95 per cent at the end of 1988 to about 75 per cent.

Polly Peck will sell the ves-sels for each to a consortium of companies led by Kvaerner,

companies led by Kvaarner, Hafslund Nycomed and an investment group put together by Norse Partners.

Payment for six ships will be on completion, to take place by June 30. The remaining three will be paid for on delivery.

Del Monte Fresh Produce, Polly Peck's wholly-owned subsidiary, will charter the nine wessels back for 10 years.

ties in the leisure sector, Kunick's results came as a solid reminder that not all is gloom and doom in this area. The company's novel strategy of using cash generated from amusement machine gambling to finance the expansion of nursing homes for the wealthy has many admirers in the City. Yesterday's figures were as solid as expected, the abares closing 2p higher at 58%p, although with rather more than expected coming from the amusement machine business post the Ball acquisition and less from the nursing homes. In the short term this is no bad thing, given the cash generat-ing nature of the slot-machine operations, and the full impact of the doubling of the stake money earlier this year will clearly be felt in the second half. The drive in the second half will come from further expension into attentions. expansion into nursing homes, a move which may push Kun-ick's gearing above 60 per cent and make some brokers slightly nervous in present market conditions. But with the shares standing on a prospective p/e of about 9.5 full-year expectations of 221m pre-tax, the defensive nature of the businesses and the quality of their management continues to win support.

#### T&N offer extended

T&N, the engineering components group, has extended its tender offer for JP industries, from May 14 until Innex 21. This is to allow the companies to prepare information requested by the Federal Trade Commission under the Hart-Scott-Rodino Antitrust

#### NatWest purchase

National Westminster Bank has completed the purchase of Rabobank Nederland's 40 per cent holding in Van Lenechot's Beleggings Compagnie. This takes Natwest's stake to about

Marks & Spencer yesterday announced a 7 per cent increase in UK store sales in 1989-90, totalling £4.8hm. That translated into volume growth of about 3 per cent, or - after taking into account additional selling space - "like for like" growth of about 1.5 per cent.

Divisionally, foods saw real growth of 2 per cent after price increases of some 5 per cent. Questioned about the series of recent food scares, Lord Rayner, chairman, said that the company had attempt to secure quality right back to the original sourcing of its supplies. "People have got to eat," he pointed out. "If they don't eat beef, they'll probably eat lamb." On the clothing side, volume rose by some 5 per cent, after price increases of some 3 per cent. The homeware side, however, suffered more significantly from the downturn in consumer spending: after price increases of some 8 per cent, there was a volume decrease of 4 per cent.

#### **Associated Energy incurs** £0.68m loss for 14 months

ASSOCIATED Energy Services, where a new management moved in at the beginning of the year, recorded a loss before tax of 2675,000 for the 14 months to November 30

1989. In the previous 12 months this USM-quoted company with interests in building and envirommental services and cater-ing equipment reported a loss of £147,000.

or £147,000.

The company also amounced the purchase of TG-Catering Systems.

In the period Howlett Group Services was in loss but was now returning to profits, the company said. Howlett-Hygiene Services, the other building and environmental company, was trading profit.

Directors said the company was cash positive and was looking for acquisitions in cel-lular communications and property-based leisure activi-

Turnover was 22.84m (\$2.55m) and the loss per share came out at 9.45p (1.63p). There was an extraordinary charge of £822,000 (£148,000 credit) relating to the disposal of Candynote, acquired towards the end of 1988.

#### **Home Counties**

Home Countles Newspapers has acquired Southern Converters, a maker and printer of customised envelopes, for an initial \$3.61m cash and a deferred profit related payment to a maximum of \$2.45m. company, was trading profit-

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It is the key to the Statue of Liberty in New York harbor, proudly holding a torch that lights the way to freedom. The colossal copper structure was designed by Frédéric-Auguste Bartholdi and engineered by Gustave Eiffel. A gift from France commemorating the U.S. centennial celebration in 1876, the statue was completed in Paris in 1884 and unveiled two years later in New York.

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The key Swiss bank

NESCO Investments, the computer software and Niger-ian electricity group, is taking drastic action to cut losses by closing computer subsidiaries in France and the Netherlands.

The company said it would require "grabate and further." require "substantial further investment" to bring them back to a satisfactory level of profits. Nesco is also making arrangements to sell one of its original businesses, a Leicestershire motor dealership, "in the near future".

However, the company com-

However, the company con-firmed that its other operations the UK computer systems supplier DCS Group, and its Danish subsidiary, and Nesco Nigeria, an electricity supplier were producing record profits in the 15 months to June 30 last year, Nesco lost £284,000, (£211,000 profit) and passed its final dividend.

In the six months to end-De-cember the group's losses had increased to \$234,000 before tax, pushed up by a combined loss of \$282,000 from the French and Dutch companies, which were only bought had

At that stage the group said: it hoped they would move into monthly profit before the end

New trust at EFM

Edinburgh Fund Managers is launching a new £14.4m invest-ment trust via a private placing RFM Java Trust will specialise in investment in Indonesia, with the sim of long-term capital growth. The initial capital is being raised via a placing of 30m shares at 50p each.

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#### Nesco closures to cut losses | SI launches £2.3m rights By Vancesa Houlder

SI Group, the engineering company controlled by the Abdullah 'brothers, has announced a £2.28m rights issue and the acquisition of construction industry.
It also announced a loss of

£1.2m in 1989, compared with £900,000 in 1988, giving a loss per share of 4.1p. Turnover fell from £6.3m to

25.1m.
It is buying Phennicus, which markets heavy plant and machinery and provides consultancy services to the construction industry for £1.8m and Stamford Lime, which operates a limestone quarry, for £1.2m.
The company is issuing new

# Brixton Estate

International investors in commercial property Extracts from the Statement by the Chairman, Harry Axton

461 am pleased to report that, once again, your Company has had a successful year with strong increases in both profit and net asser val

Net rental income increased by 22% compared with the previous year and, because of the pattern of 5-yearly rent reviews, there are substantial increases still to come. The net asset value per share increased by 17% during 1989 and over the past five years

has increased from 87.5p to 279p. £30 million of 10%% Debenture Stock was issued in December and the Company has £39.5 million of interest rate swaps in place at an average interest rate of 10.9%.

The Company is fortunate that it has fixed in costs of borrowing so that not only are the rofits protected against interest rate movements, but also the greater part of the current

#### HIGHLIGHTS OF 1989

•	_	to £20,427,000
	_	999 to

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☐ 17% increase in net assets to £460

☐ Proposed final dividend of 3.90p per ordinary share making an increase of 25.1% for the year

TALL	E OF THA	ESI.		عسد	PEOD	
£711	million					
Y		-	•			

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	The Annual General Meeting of the Company will be held in London on 12th June 1990,
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#### **UK COMPANY NEWS**

# Through a Waterford crystal glass darkly

Kieran Cooke looks into the future of the embattled Irish luxury goods company

ATERFORD CRYS—stake in the Waterford Wedg-TAL is to the Repub—wood group. The O'Reilly team lic of Ireland what included investment bankers

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क्षेत्रीयः व्यवस्थाः भूक्षणातः सम्बद्धाः

र अपन्य अञ्चलका राज्यात्र का स्टब्स

It is the quintessential Irish among them Mrs Ann Getty of gift: when President Mikhail Gorbachev made a short visit to Ireland he left with a 14 inch oval Waterford crystal bowl under his arm.

For the first time in the company's 40-year history, its factories in Waterford, 100 miles south of Dublin, have been closed by an all-out strike. We are in a downward spiral; from which there may be no return," warned management in a recent letter to the work-

force.
Indeed the management has hinted that if the dispute, which has just entered its seventh week, is not settled soon. production might be moved to eastern Europe, possibly to either Czechoslovakia or Polend

If that happened it would be a body blow to Irish national

Mr Charles Haughey, the Irish Prime Minister, recently described Waterford crystal as one of the finest products made by man anywhere in the world".

world".

The immediate cause of the present industrial action was a management decision to with draw certain bonus payments to a section of piece-rate workers. The management has appealed for talks but say the pay cuts must stay, while the trade union has accused management of breaking agreements and says no talks are possible until the management reinstates the payments.

It is a showdown which both sides agree has been building

sides agree has been building up for some time. Waterford is the Irish half of the Waterford Wedgwood group. Waterford bought Wedg-wood, the maker of high qual-ity English chinaware, in 1986 for £250m. Since that time the performance of Waterford has

been calaminous Last year, the crystal division reported pre-tax losses of 1£21.3m. In the last three years, losses have reached more than

Only continuing healthy Only continuing healthy profits from Wedgwood have kept Waterford silout. Investors, meanwhile, have seen the value of their shares fall to about one-quarter of their 1986, level. Group debt, meanwhile, stood at 1212ma at the beginning of the year. Management says wage costs must be says wage costs must be reduced if Waterford is to have

Two months ago a group of I DY MIT TOES O'Reilly, chief executive of Heinz, put together an 1880m transferring production outside package to take a 30 per cent Ireland. It says skills have

Rolls-Royce is to the UK or Morgan Stanley and some of Gucci to Italy.

Morgan Stanley and some of the US' wealthiest individuals.

the Getty oil family.

At first the O'Reilly move was welcomed: the group's crippling debt was reduced and there was talk of a return to reland he left was a line's EC profitshility. Mr Visitors to this June's EC profitshility. Mr Visitors to this June's EC profitshility. Mr derkind in Dublin will doubt less receive similar. If more modest, presentations. But there are now suggestions that the crystal maker may be moving its operations out of But no more. The union says Mr O'Reilly and his US friends have sparked a confrontation. It says that bad management than high wages has seent chronic

rather than high wages has caused the present chronic state of Waterford's finances. Striking workers wear badges saying "We can work. They can't manage."

Waterford has a workforce of 2,300 and is still one of ireland's largest employers. The management, as part of its public relations battle with the unions, has highlighted the wages of more than 1230,000 wages of more than Hoo,000 per year paid to a small group of skilled workers, it says that more than 20 per cent earn between 1222,000 and 1225,000. In addition, workers have a

ehensive benefits package and a number of other concessions, which include a 30minute break for Mass on Holy

days. Mr Brian Patterson, assistant chief executive at Waterford, says that the union is too strong: "In the good days the company bought itself out of trouble. The union is failing to face the economic facts. If we don't do something, there will be no jobs for anyone."

Mr Patterson says present wage costs make it very diffi-

cult for Waterford to compete. He says the company could purchase crystal product of identical or even superior quality in eastern Europe for half the price it costs to manufac-ture in Waterford. Mr Walter Cullen, a union

Mr Watter Cullen, a union leader at Waterford, says the management is composed almost entirely of marketing and finance people who know nothing about the complexities of glass manufacturing.

"Here we are producing this prestige product, yet they are saying that there is better multiv elsewhere. That's the

quality elsewhere. That's the sort of mismanagement that sort of mismanagement that has got this company into so much trouble," he says.

Mr Cullen says the media in heland, a large slice of it controlled by Mr O'Rellly, has unfairly highlighted workers weges, while neglecting to mention levish payouts to the management. Irish taxes and other deductions mean that many Waterford workers are many Waterford workers are taking home less than their colleagues at Wedgwood in England, says Mr Cullen.

The union is a management threats about



By Wikki Talt

Hot on the beels of its £113m purchase of Crossley Builders Merchants from Rowater last Harborough, Leicestershire was previously owned by HP foods, and made sales last year of £6.4m.



Caisse Nationale des Télécommunications

FF 600,000,000 Adjustable Rate Series A Bonds due 1996 (issued on May 14, 1986)

FF 400,000,000 Adjustable Rate Series A Bonds due 1996 (issued on September 30, 1987)

Unconditionally guaranteed the Republic of France

In accordance with the Conditions of the Series A Bonds, notice is hereby given that for the interest period from May 14, 1990 to May 14, 1991 the Series A Bonds will carry an interest rate of 9.72% per annum.



The Facel Agent KREDIETBANK S.A. LUXEMBOURGEOISE

NOTICE OF EARLY REDEMPTION

11 14, 95



Korea Exchange Bank £50,000,000 Floating Rate Notes due 1995 Notice is hereby given, in accordance with Clause 5(b) of the Terms and Conditions of the Notes that Korea Exchange Bank will redeem all of the Notes at their principal amount on the next interest

Repayment of principal will be made on or after 20 June 1990 ara resentation and surrender of the Notes with all mun supons attached thereto, at the office of the Fiscal Agent or of the Paying Agent. Interest due on 20 June 1990 will be paid in the maer against presentation of Coupon No. 20.

payment date, 20 June 1990, when interest on the Notes will cease





Industrial action by workers outside the factory at Waterford

more deeply and has more

"Waterford crystal is not just a brand, it is a special prod-

glass is different: it has a higher lead content and is therefore heavier, can be cut therefore heavier, can be cut when the management, faced with mounting debts after the Wedgwood buy-out and seek-ing to streamline operations, instituted a redundancy prothe event more than 1,000 left, including many highly skilled workers. The redundancies cost the company ISSOm. Serious production hold-ups fol-lowed and losses mounted.

Waterford, heavily dependent on sales in the US market, was also seriously affected by the fall in the value of the dollar against the punt.

Last June the union signed an agreement on cost-cutting measures, which the manage ment says the union has failed to fulfil. The agreement included a three-year freeze on wages: in return workers were promised a share in any future

company profits.

Though Waterford products continue to sell well and the company says it has adequate stock, a prolonged strike would make a return to profit impossible, at least in the medium term. The strike is already having serious economic repercu sions on the small city of

But there is a great deal of animosity between the two sides and an agreement seems a long way off. Glass-making began in Waterford towards the end of the 18th Century. After the last war refugees from Eastern Europe revived the industry in the area.

It would be a sad irony for Ireland if its famed crystal industry was now to return to

This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application will be made to the Council of The Stock Exchange for all the ordinary shares of CRT Group PLC, issued and to be issued, to be admitted to the Official List. Admission will be conditional upon approval being given by the shareholders of CRT Group PLC to the acquisition of The LINK Organisation plc, rights issue and related proposals at an Extraordinary General Meeting to be held on 21st May, 1990. It is anticipated that the ordinary shares of the Company will be admitted to the Official List on 22ad May, 1990 and that dealings will commence on the same day.



Listing of CRT Group PLC

following the acquisition of The LINK Organisation plc, 7 for 9 rights issue at 60p per share and related proposals

> SHARE CAPITAL immediately following the acquisition and rights issue

Authorised

ordinary shares of 10p each

Issued and fully paid £4,398,998

CRT Group PLC is the holding company of a group whose principal activities are the provision of consultancy, recruitment and training services.

The sponsoring member firm in respect of the listing is Smith Keen Cutler. Listing Particulars, to be dated 21st May, 1990, relating to CRT Group PLC will be made available in the statistical service maintained by Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours (excluding Saturdays) up to and including 17th May, 1990 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 11th June, 1990 from the registered office of the Company at 51 Druid Street, Hinckley, Leicestershire LE10 1QG, and the following addresses:

Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, ECAP 4EL

Smith Keen Cutler, Exchange Buildings, Stephenson Place.

FINANCIAL NEWS FROM BANK OF SCOTLAND

# Another record year from Britain's "most

\*In a recent poil conducted by The Economist in conjunction with Loughborough University's department of Management

	1990	1989
Operating Profit	£215.0m	£178.4m
Pre-Tax Profit	£193.5m	£178.1m
Earnings Per 25p Ordinary Stock Unit	14.3p	13.8p
Dividend Per 25p Ordinary Stock Unit	4.55p	3.8p
Advances	£14,364m	£10,706m
Capital Resources	£1,538m	£1,279m

☐ With Operating Profit up 21%, Bank of Scotland reinforces its position as one of Britain's most successful financial institutions.

 □ Net ordinary dividend for the year increased by 20% to 4.55 pence per 25p Ordinary Stock unit.

Increased productivity, with greater volumes of business being processed through the same infrastructure, has reduced the operating expenses/income ratio from 56% to 53%.

☐ Bank of Scotland's aim is to deliver a very professional service to its customers and continuing growth for long term investors.



For a copy of the Bank's Annual Report contact the Public Affairs Department, Bank of Scotland, PO Box 725, Orchard Brae House, 30 Queensferry Road, Edinburgh EH4 2UH. Telephone 031 343 7070

#### UK COMPANY NEWS

# This announcement appears as a matter of record only. and passes final dividend

GOLDEN GRID plc



Equity Financing of Stg£12,675 Million

Provided primarily by

Allied Combined Trust Ltd. (subsidiary of AIB Capital Markets plc) Alan Patricof Associates Ltd. Beauchamp Ventures BV Carlyle Development Capital BV Corporate Advisory Partnership Ltd. Anthony Fenwick-Wilson Esq. Independent Newspapers, PLC Irish Life Assurance pic Montoire Ltd. Pine Street Investments Ltd.

#### AIB CAPITAL MARKETS plc

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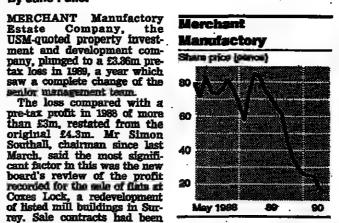


Corporate Advisory Partnership

**May 1990** 



# Merchant Manufactory



acquired at the top of the proparty market more than a year ago. Because of the slump the company was having to make provisions against holding costs or loss of value. MMEC's year-end debt stood at £20.8m, reduced from £28.9m

ger to complete than antici-pated, were one of the main factors in £3.75m of provisions against properties and reorgan-isation costs. This wiped out the 1989 operating profit of £390,000 on turnover of £5.06m. at 120 km, remiced from 122 ym
through property sales, and the
net asset value per share fell to
45p from 60p. No final dividend
is being paid.
Mr Caunt said the company
had a dozen sites, only three of Mr Simon Caunt, finance director, said sites had been

which were being worked on by builders. The portfolio was still weighted towards residential property, but the intention

was to move away from that area. All the prospective developments were commercial.

According to Mr Caunt, who joined the company last May, the management changes followed the sale of shares by two of the executive directors, Mr Mark Keegan and Mr Anthony Iremonger, who stepped aside in March last year. Mr Simon Southall, whose

family had purchased shares, replaced Mr Keegan as chair-man and by the autumn all four of the executive directors, including Mr Paul de Savary, MMEC joined the USM in

MMEC joined the USM in April 1988. The offer for sale at 93p per share was a flop — two thirds of the shares were left with the underwriters. The highest price the shares have traded at is 35p at the time of joining the market.

Last spring, after the apparent doubling of pre-tax profit in 1988, the price again topped 80p. Yesterday it closed at 15p.

# MMEC incurs £3.4m loss Walker Greenbank profits more than double after revamp

By Andrew Bolger

WALKER GREENBANK, the former mini-congiomerate, yesterday reported pre-tax profits more than doubled from £3.1m to £7.3m in the year to Febru-

It had decided to concentrate on its wallcoverings businesses and to dispose of non-core activities and surplus proper-

Mr Nicholas Brown, chair-man and chief executive, said considerable progress had been made towards this objective, with £26.8m having been raised from the disposal of seven com-panies. As a result, the group now had a substantially strengthened balance sheet with net cash resources, which would be increased through the sale of further businesses

and vacant property.

Earnings per share also more than doubled, from 241p to 5.1p. A final dividend of 1.75p makes a total of 2.75p (2.25p). Turnover rose to £127m (£119m).

The group's conglomerate

mbitions and rapid acquisi-tion programme were cut short in 1968 when Aller, a super-

market shelving company, incurred a loss of £6.9m. Mr Brown said negotiations were continuing over the sale of non-core businesses such as Montan (which includes Alkar), Bloom Signs and the group's healthcare division.

Operating profit of the core walkoverings and fabrics business increased by 6 per cent to £7.6m, maintaining its 10-year unbroken record of rising profits.

The board wished to expand its wallcoverings businesses both organically and by acquisition. In particular it was looking at the international fabrics market, and was currently negotiating two acquisitions.

Mr Brown, who replaced Sir Anthony Jolliffe as chairman last May, said: "Despite diffi-cult trading conditions the cur-rent year has started well and I am confident that with the leg-acy of the problems I inherited now substantially behind us, the future of the group under its strengthened management team should be both exciting and financially secure.

# Hogg buys 19 travel agents

By David Churchill, Lelaure Industries Correspondent

HOGG ROBINSON yesterday strengthened its position in the retail travel agency market by buying 19 travel agents from Nellson Travel, a subsidiary of Leisure In-vestments which is at present in administration, for 2850,000.

exchanged for some of the flats, but substantial work had

Cost overruns on this devel-opment, which took a year lon-

ined to be done.

The move gives Hogg a total of 219 retail travel agents throughout the UK.
Mr Brian Perry, Hogg's chairman, said yesterday that

MARKS & SPENCER

RESULTS FOR THE FINANCIAL YEAR 1989/90

SICCOSSII

Tearor Increased

the acquisition would strengthen Hogg's retail pro-file in the north of England where demand for holidays was not as badly affected as in the south.

In the south.

Trade estimates suggest that the level of demand for continental package holidays this summer is running at a level some 20 per cent below this time last year.

Mr Perry also said that pretax profits for the year ended

March 31 1990 were likely to be "substantially higher" than those achieved in the

previous year.
"The market for holidays has picked up since Christmas and this has led to excellent trading for our travel division in the last quarter of the financial year" he said. Full results for the last

financial year will be announced on June 27.

#### **NEWS DIGEST**

#### Western **Selection** in the red

THE EFFECTS of the industrial dispute that hit Western Selection in the sec-end half of last year has spilled

cand half of last year has spilled over into the six months ended March 31 1990.

Exacerbated by higher and volatile raw material costs, particularly copper, and increased interest rates in the Duratube & Wire subsidiary, they led to a group pre-tax loss of £1.39m for the period, against profits of £882,000 for the first half of 1988-89.

Loss per share was 6.13p.

Loss per share was 6.18p. Last time earnings were 4.1p and an interim dividend of 1.7p was paid.

Duratube & Wire, which makes telecommunications wire and cable, recorded a loss of \$1.42m (profit \$700,000).

However, the parent company did not escape, with its profit cut from \$182,000 to \$280,000.

#### Glaxo expands with Egyptian acquisition

Glaxo, the UK's largest pharmaceuticals company, is expanding its interests in Reypt through the acquisition of a 51 per cent stake in Advanced Biochemical Indus-

tries.

The company did not disclose the cost of the purchase but it is believed to be less

of Cairo, manufactures, sells and distributes medicines for the Egyptian market and its products account for more than 6 per cent of the pharma-centicals market. Three Glaxo executives will

join ABL One will become managing director while the other two will be responsible for technical and financial

Glazo intends to expand ABI's manufacturing capacity and introduce additional lines. ABI was set up in the early 1980s under the Egyptian Investment Incentive Law and currently employs 700 people.

#### Whitbread Invest net assets fall 12%

Net asset value at Whithread Investment Company fell by nearly 12 per cent over the stx months to March 31 1990, resulting in a drop of 3.5 per cent during the year to the

At March 21 1939 the value was 605p. It moved up 9 per cent to 661.2p by September 30 but had fallen to 583.6p by

# end-March 1990. Earnings for the year to March improved from 10.32p to 11.69p, and the dividend is stepped up to 11.6p (10.2p) with a final of 8.25p. Gross income totalled £12.32m (£11.05m) and net revenue £7.37m (£6.51m).

#### Highcroft raises profit and dividend

Highcroft Investment Trust, which bolds property and securities, raised its net profit from \$417,000 to \$469,000 in 1989. This gave earnings of 8.64p (7.69p). The dividend is stepped up to 3.35p (2.96p) with a final of 1.95p.

Gross income came to MI4.000 (0297,000) and pre-tax profit to 2882,000 (2812,000).

#### Dean & Bowes goes Dutch with £5m buy

Dean & Bowes Group, the USM-quoted public house refurbisher, is expanding in the Dutch market through the

acquisition of Muschter Bebeer Ter Aar for up to 25m. Muschter, based in Ter Aar, is involved in interior design, It was formed in 1976 and employs 17 people; and made an adjusted consolidated pre-tax profit of 2577,000 last

holder approval, involves an initial payment of £3m plus a further stage payment of up to £2m, depending on Muschter's results in 1990 and 1991. Of the first payment, two-

thirds would come from a ven-dor placing of 1.4m new shares at 148p, and the rest from the issue to the sellers of shares with a value of £930,000, which they would retain.

#### Wells Fargo & Company

US\$200,000,000 Floating rate subordinated capital notes due 1998

provisions of the notes, notice is hereby given that for the Interest period 15 May, 1990 to 15 Angust, 1990 the Notes will carry an interest Rate of 87:6% per annum. Interest payable on the relevant interest payable on the relevant interest payment date 15 August 1990 will amount to US\$218.82 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 



#### **Bankers Trust** International Capital N.V. (Incorporated in the Netherlands Antilles)

U.S.\$200,000,000 Guaranteed Floating Rate Subordinated Notes Due 1996

For the three months

16th May, 1990 to 16th August, 1990
the Notes will carry an interest rate of 8½ per cent
per annum and interest payable on the relevant
interest payment date 16th August, 1990 will be
US\$217.22 per US\$10,000 note.

National Westminster Bank PLC Group Treasury Settlements, London - Agent Benk



DOLLAR Where Next?

Group profit before tax up 14.2% to £604 million.

DIOTIS

Group turnover up £490 million to £5.6 billion. Proposed dividend per share up by 14.3%.

UK operating profitability up from 11.8% to 12.2%.

Borrowing ratio reduced from 27% to 17%.

StMichael

Copies of the report and accounts for 1989/90 will be mailed to shareholders from 5th June.

#### **COMMODITIES AND AGRICULTURE**

wickets.

had he still been with us John

would have reflected again

that the dry weather which

made them possible was not good for farmers. For moisture in the month of May is crucial to the ultimate yield of a whole

range of crops - especially

To the uninitiated it might seem that the current unset-tled spell had put right any

moisture problems there may have been. Furthermore bowl-

ers have begun to make the ball turn and wickets have

already begun to fall rather

stantial deficiency of soil mois-ture which in the East and

South of Britain has been

building up since the end of

During that Winter, as the National Rivers Authority and Anglian Water have recently

pointed out, rainfall over a wide area of the country was only 60 per cent of normal. Reserves have never been replenished because precipitation since then has been consistently below average — in

some areas by 20 per cent to 25 per cent — and the soil mois-ture deficit has steadily

In farming terms this meant that crops of wheat, barley and

oilseed rape planted last Autumn survived through the

The fact is however that, welcome as recent rains were, they did little to correct a sub-

# Rhodium price at record level

By Kenneth Gooding, Mining Correspondent

THE PRICE of rhodium, a platinum group metal used predominantly in automotive catalysts, yesterday reached a record level for the second successive trading day.

The free market with property of the propert

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cessive trading day.

The free market price range was \$2,315 to \$2,865 a troy ounce, \$55 higher than Friday's close and \$200 up from Monday

Traders suggested that demand for rhodium had now outpaced the market's ability to supply because of teething problems at Rustenburg's new precious metals refinery in Bophuthatswana, South Africa, at the end of last year, which ounce.

According to Johnson Matthey, the biggest rhodium refining and marketing organi-sation, supply and demand in the western world was evenly balanced last year at about 330,000 ounces following three years of small supply sur-

Mr Alan Anstin, JM's gen-eral manager of platimum mar-keting, said yesterday that sup-from 14,000 to 4,000 ounces.

plies will remain tight for the rest of 1990. JM estimates that consumption of rhodium in three-way automotive catalysts, employed particularly for reducing pollution from cars with large-capacity engines, increased by 16 per cent to 268,000 ounces last year com-pared with the overall growth in demand of 9 per cent. Consumption by the chemical and electrical industries (32,00 ounces and 12,000 ounces) remained steady, but high

#### Ivory Coast | Toiling on a batsmen's wicket tension

lifts cocoa

By David Blackwell

SIGNS OF renewed tension in the Ivory Coast boosted cocoa prices in London sharply yesterday. Troops surrounded the state

radio station in Abidjan and demanded higher wages before withdrawing without incident. The July contract on the London Futures and Options Exchange (Fox) soared at the opening, and by the close was 251 a tonne ahead at £900 – the highest closing level since August last year. Just after midsession New York forward months were limit up.

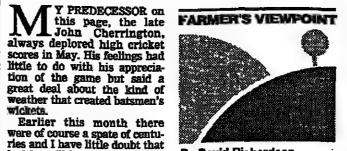
In addition the market noted bullish remarks made over the

bullish remarks made over the weekend in Paris by leading representatives of Philipp Brothers (Phibro) and Sucre et Denrees (Sucden), leading

benrees (Suchen), leaning trade houses. Mr Derek Chambers, head of Phibro's cocoa trading, speak-ing in debate with Mr Jacques Bachelier, general manager of Sucden, said he expected cocca prices to rise significantly and perhaps double in 1990-91 as perhaps double in 1990-91 as consumption outstripped production. Mr Bachelier agreed.

The two trade houses have been fighting over the market for cocoa from the Ivory Coast, the world's biggest producer, for the past two years. Sucden negotiated a block deal for 400,000 townes of 1988-89 Ivorian cocoa; Philiro negotiated a deal for 500,000 townes of the 1989-90 crop, but it fell through.

1989-90 crop, but it fell through.
But observers said yesterday the prediction should be viewed with caution. The fundamentals would have to be awfully strong for that to happen. It (the prediction) is not being embraced as greatly as the Ivory Coast news," said one New York commission house trader.



The dry spring is bad news for bowlers and farmers alike

By David Richardson

winter with less moisture than they needed. By early April the estimated moisture deficit under some such crops was put as high as 50 mm of rainfall equivalent or almost 10 per cent of average annual rainfall in many southern and eastern

April showers visually masked the effects of the drought but were insufficient to make up the fundamental deficit which continued to increase. For early spring is the season of fastest growth of cereals and therefore greatest moisture requirement and by the beginning of May the problems of drought stress had become obvious on light land.

In East Anglia some farmers began irrigating crops of Win-ter-sown wheat and barley. I cannot remember seeing sprin-klers on cereals as early as klers on cereals as early as May before. Clearly it was intended to try to salvage something from crops that were in danger of dying on their feet and before the equipment was needed for potatoes and sugar beet. But irrigating relatively low value grain crops is seldom a viable proposition.

Britain is not unique in being short of rain however. Much of Northern Europe has had a similar weather pattern and farmers in several coun-tries are worried at what this will do to crop yields.

Telephone calls over the weekend to farming friends in Holland, Belgium, France and Northern Germany have all revealed the same story. Water tables are down, moisture deficits are up and winter sown cereals are beginning to suffer. Moreover, other problems associated with long, warm, dry spells are also beginning to

build up.
In Northern Germany for instance there has been an explosion of aphids on cereal crops. The problem was so had at the beginning of May that many farmers decided to spray insecticides at least six weeks ahead of the usual date for such treatment. My German friend told me that the insect population had already built up again to potentially damaging levels and that he expected to have to spray a second time

Here in the UK a "red alert" has been issued by boffins at the sugar beet experimental farm at Brooms Barn in Suffolk warning farmers to watch out for a build-up of aphids on their beet crops. It is not normal for such warnings to be made until the second half of

June. Meanwhile it must be conceded that sugar beet crops, most of which were planted most of which were planted early this year, look promising and potentially capable of very high yields — always provided they can be kept free of the virus yellows carried by aphids and get enough moisture from now on. The same could be now on. The same could be said of potatoes, which, like sugar beet, have not yet reached peak moisture demand.

Spring-sown cereals, many of which have been adversely affected by dry conditions from the day they were planted in February or March, are not

expected to produce good yields. Unlike cereals planted last Autumn, they have not had the time to put down deep roots to suck up subsoil moisture and continuation of below average rainfall will hit them

Recent showers have helped of course, but rainfall reports across most of Britain indicate that some places have so far had only a few millimetres while others got up to 25 or 30

The accumulated moisture deficit in some arable areas before the rain was between 75 mm and 100 mm. Add to that the fact that transpiration rates - the moisture loss from the soil via the leaves - can be up to 5 mm a day in warm conditions and the admittedly ods of precipitation of the last few days are put into perspec-

As one of the experts at Britain's top irrigation consultancy, Levington Agriculture, told me, all that happened last week was that the top soil got wet. The roots of many crops he said were still dry and it would take very much more rain than we had before and during the weekend to correct that fundamental problem.

There was no agronomic reason, he told me, for farmers to stop irrigating their crops as a result of the recent rain. There are already signs, however, that the Water Authorities may impose bans on farm intigation in some areas to conserve domestic supplies through the Summer.

I have no irrigation plant so have no opinion on the matter. If selective irrigation bans are imposed, however, look out for sparks from those farmers who are set up to water their crops. look out too for high potato

# Platinum supplies boosted as Moscow cashes in stocks

PLATINUM SALES to the West from the Soviet Union jumped by 25 per cent from the 1988 level last year and were the highest since 1977 as that coun-try searched for ways of generating additional hard currency, according to Johnson Matthey, the world's biggest platinum refining and marketing group.
"It is inconceivable that this reflected an increase in output from the mines. The platinum must have come from stocks in must have come from stocks in Russia," said Mr Graham Titcombe, director of precious metals marketing, yesterday.

Western stocks of Soviet metal, mainly held in Switzerland, had been substantially reduced during 1988, he pointed out when launching JM's annual review of the platinum industry.

inum industry.
Mr Titcombe said the Soviet Mr Titcombe said the Soviet marketing strategy was, as always, "a conundrum." However, present indications were that, after rising to 500,000 troy ounces in 1989, Soviet sales this year would be closer to the 1988 level: 440,000 ounces.

JM's review says the platinum market "paused for breath" last year and the Soviet sales enabled it to be more closely in balance than in 1988 when there was a 400,000 deficit of supply compared

deficit of supply compared

with demand.
Supplies last year rose by
115,000 ounces to 3.375m
ounces while demand, affected
by heavily reduced manufacture of platinum coins and large investment bars, fell by 195,000 ounces to 3.425m ounces. This produced a supply deficit of 90,000 ounces, accord-ing to JM's calculations. Supplies from South Africa,



Samantha Bleby, heavily guarded, models a 2300,000 platinum wedding dress at the launch of the Johnson Matthey Review

which already accounts for about 77 per cent of platinum output, will grow this year as new mines that have just come

new mines that have just come on stream build up to full capacity. If fully realised, these could add up to another Imounces of capacity by 1995.

But Mr Jeremy Coombes, the review's author, points out that "in this technologically demanding field, it is probable that not all the new projects and expansions will reach the and expansions will reach the expected level of production in the time frame set out."

In any case, JM believes that by the middle of the decade demand from the automotive industry for anti-pollution est-alysis will take up most of the new supply from South Africa. Last year autocatalyst demand is estimated to have reached a record 1.45m ounces, up 9 per cent from 1988, and to have accounted for 42 per cent of total demand.

Zinc/lead/silver mine joins Peru strike

PRRU'S BIGGEST zinc, lead tromin, a senior company offi-and silver mine, the Cerro de cial said yesterday, reports Pasco complex, has joined an Reuters from Lims. were honouring the strike, in support of demands for better wages.

The official, who asked not

The platinum price fluctuated markedly less last year than in 1988 and ranged between \$467 and \$555 an ounce to average \$509, at which level all the South African mines would have been comfortably in profit. In 1988 the price averaged \$580. Last year's comparative price stability discouraged speculative investment but helped boost the metal's industrial use, according to Mr Coombes. Japances communeys and investors accounted for 1.665m ounces or 48 per cent of total demand – for platinum last year com-pared with 1.9m ownces in 1988. so their buying behaviour will determine this year's prices, he pointed out. However, unless there were any major changes in equity markets and exchange rates, the platinum price was likely to fluctuate between \$470 and \$530 for the rest of 1990.

"About 87 per cent of Cen-

125.5 Turnaver 53 (39) lots of 3,250 kg

tromin's

#### Oil prices rally on signs that surplus is easing

WORLD COMMODITIES PRICES

WORLD OIL prices rallied strongly yesterday as traders became convinced a surplus of supplies was easing. Brent oil for July delivery

preat oil for July delivery rose by 37% cents a berrel to close at \$18 in European trading. June oil futures at the New York Mercantile Exchange were up 59 cents at \$19.54 in midday trading.

Sentiment was bolstered by a report in the Middle East Economic Survey, the Cyprushased weekly, quoting Ali based weekly, quoting Ali Khalifa al-Sabah, the Kuwaiti Oli Minister, as saying that Kuwait would cut its oil pro-

duction to "very near" its quota of 15m barrels a day, and that Kuwait's refineries abroad would have to find

Kuwait was one of the last

Opec members to make a pub-lic declaration that it would comply with the output cuts agreed in Geneva on May 3.

There were also indications that North Sea production would begin to fall sharply

from next month as the sum-mer maintenance programmes mer maintenance programmes got fully under way.

The prices rises were great-est in prompt months, causing the premium for forward months to fall sharply. The narrowing of the price differen-tial, however, looked insuffi-

cient to cause oil companies to wish to reduce stock holdings. Still overhanging the market is unsold Iranian crude — up to 50m barrels according to MRES - which could depress

# US fight against dairy hormone

AMERICAN FARMERS yesterday calebrated International Dairy Day with protests blanned in three US cities and in Bonn against the introduction of the dairy hormone, bovine somatatropin (BST).

The National Parally Reput AMERICAN FARMERS yesterday calebrated International Dairy Day with protests planned in three US cities and in Bonn against the introduction of the dairy hormone, bovine somatatropin (BST).

The National Family Farm Crafting an operanisation representation repre

Coalition, an organisation representing 40 farm groups in 30 states, said farmers were in Washington to complain to their congressmen about the US proposal to harmonise world health standards through the General Agreement of Their Congress of the Congress of Their Congress of the Congress of the Congress of their Congress of the Congress of the Congress of their Congress of the

ment on Tariffs on Trade. The farmers say the pro-posed standards would over-ride afforts at the state and national level to regulate or ban products like BST, which is meant to increase milk production. They worry that the prices again should from push rise in dairy output will drive BST. One of the agency's top the oil onto the spot market.

the US Food and Drug Admin-istration that no approval for BST can be rendered for at least a year because of the agency's work load.

The Wisconsin state legisla-ture has banned use of the hor-mone until July 1991, and Min-nesota has approved similar legislation tied to the Wiscon-sin han Similar bills are needing in Massachusetts, New York and Vermont. In Congress, Senator Pstrick Leaby, chairman of the Senate

Agriculture Committee, has launched an investigation into the FDA approval process of

ons protest, farmers brought their cows to the state capital hung with signs demanding: "No lactation without representation". In LaCrosse, Wisconsin, farmers from lows, Minnesota and Wisconsin called a press conference to "educato" communers about the potential hazards they say the hormone involves

In Washington, Mr Joe Vierra, a California producer, tied the BST controversy in with the 1980 Farm Bill and insisted that "countries have the right to establish their own farm programmes and to

farm programmes and to demand strict healthy and safety regulations for both

#### to be identified, confirmed that owned mining company Cen- workers at Cerro de Pasco striking," he said.

and allver mine, the Cerro de Pasco complex, has joined an

indefinite strike launched by

MARKET REPORT COPPER prices fell sharply yesterday on the London Metal Exchange following Friday's retreat. Liquidation, follow-through lending (selling cash and buying forward), and cash sales continued in the afternoon in sympathy with Comex. The premium for cash metal over three-month fell to £121 a tonne, compared with £144 on Friday and £192 on Thursday. The gradual easing in premiums, which were mainly related to substantial options related positions, has oushed the market back into the previous chart resistance band of \$2,520 to \$2,420 a tonne, analysts said. The Centromin strike in Peru had no London Markets

POT BARRETS Orude oil (per barrel FOE) \$15.20-5.30q +.50 \$17.95-6.05q +:376 \$16.60-8.85q Oil products (NWE prompt delivery per totale CIF) \$224-226 \$156-157 \$76-77 \$150-182 +2 Gold (per troy oz) 4 Salver (per troy oz) 4 Pilatinum (per troy oz) Palledium (per troy oz) 87.25c +3.23 +8.63 +6.15 Camie (iive weight)† Sheep (dead weight)† +4,40 +6,50 +2,00 Barkry (English lead) £1121 Maize (US No. 3 yellow) £1421 Wheat (US Dark Northern) £124 £112.0s Rubber (Jun) \$6.00p Rubber (Jul) \$5.50p Rubber (KL RSS No 1 May) 280.0m \$375; \$297.5x \$245. £169v Coconut oli (Philippines)5 85.85c . 547p

auto, r-ringgitiką, q-lul, t-Mayiliam, u-Aug v-May/Aug. w-Apr/May. z-jun/ke y-May. †Mest Commission average tatatock prices. \* change from a week ago. Thouson physical market

Immediate Impact. However, news that the strike had started boosted zinc prices in the afternoon, although cash metal still closed well down. The morning retreat reflected the weaker copper market and some relaxing of recent tightness of LME June supplies, dealers said. Nickel closed sharply down on general liquidation. Three-month metal tail through the recent chart support level around \$8,450 a tonne; the market has now returned to a weak chart area, which indicates a decline to around \$7,400 a tonne, analysts

<b>HOA</b>	t Louis	on FOX	(\$ per tonne
haw	Close	Previous	High/Low ·
Aug	333.00	334.20	337.40 330.60 335.00 328.00
Oct	331.00 314.00	314.60	316.40 312.80
Anto	\$11.00	312.60	313.20 311.00
White:	Close	Previous	High/Low
Aug .	443.5	446.0	447.D 443.5
Oet Mar	405.5 302.0	405.0 392.5	408.0 408.0 263.0 352.0
Attite :	933 (935) White (FF)	-	28. of 50 tonnes. Aug 2470, Oct 2255 195
	OIL - I	×	\$/barre
	Lane		
Jul .	· 18.00		18.05 17.72
Aug IPE Ind	18.12 lex 17.71		. 18.11 17,84
	er: 9347 (4		
OAS C	aL – LPE		\$/tonn
	Latest	Previous	High/Low
Jun.	154.50	152.00	154.25 152.00
Jos	154.00	152.00	154.00 152.75
Aug Ses	158.00 158.00	153.50 155.25	155.75 154.25 200.00 155.00
Oct	160.00	157.25	160.25 158.25
Nov	162.00	159.25	161.75 160.50
Dec	163.50	160.25 160.75	162,75 161,00
شعار	163.50		163_50 161,25
Tumev	er 3763 (5	8/3)tota of	100 tonner
inclusions in the Total	ding 4,600 de, Broker were 4-8p ums and a rei African	s' Associati easier spa lew dust g s ruise firm	es on offer is week, reports on, East African I's from selected rades. Coloury to destrar but pence. Caylons

COCCA	– Lend	POX.		Litanne	LONDON HISTAL
	Ciose	Previous	High/Low		Close
May	882	896	m2 672		Aluminium, 16.7%
Jul	900	840	906 865		Oash 1538-47
Dec	913 935	800 867	602 MB		5 months 1560-1
A STATE OF	860	904	966 936		Copper, Grade A (
May	965	918	965 953 982 957		Cash 1643-4 3 months 1522-3
-jul	977	983			Leed (C per tonne)
Turnove	r: 12761 (	(4800) 1018 vices (SDS	of 10 tonne	at Dally	Cosh 496-7
price for	May 11	1027.5 (104	s per tonn (.08) 10 dey	averege	\$ months 491-1.5
for May	14 1088.	54 (1039.36)			Mickel (5 per tonné
					Cash 8375-42
COPP	-	POR.		2/tonna	a movemen overse-se
	Close	Previous	High/Low		Tits (\$ per tonne)
					Cash 6510-20 3 mortes 6515-40
Mariny Just	608	619 834	618 806 840 624		
500	843	662	865 640		Zinc, Special High Cosh 1812-4
Nov	890	657	668 656 mm1 670		Cesh 1812-4 3 months 1727-8
Jan Mari	(970 686	677 691	MID 686		LINE Closing E/S n
May	704	710	709 709		SPOT: 1,6810
burnovér	: 5675 (4	971) lots of	5 tonnes		
ICO Ind	leator or	ices. (US o	ents per po	und) for	LONDON SULLIO
May 11:	Comp. 0 2 (73.53)	My 71.17	(73.0 <del>6</del> ). 16	ORA SARL	Close (Tine oz) \$ pri
age rau	es (reser				Close 3683
		_		£/tonne	Opening 367 v
POTAT				TO SERVICE SER	Morning the 388.2 Afternoon the 369.0
	Close	Previous	High/Law		Day's high 3693
Nov	122.0	118.0	121.0 120.		Day's low 3674
Apr '	175.9	167.0			Coles \$ pri
Turnove	r 187 (27)	5) lots of 4	g tonnes.		
					Mapleled 375-3 Britannia 375-3
PWAT.	TAN ME	AL - BPE		2/tonne	US Engle 375-5
		Previous	High/Low		Angel 375-8 Krugerrand 368-8
	Close			-	New Sov. 8612
Öct	124.00	128.00	125.00 124	1.30	Old Sev. 8612
Turnove	s 45 (50)	lots of 20	torates.		Noble Plat 491.5
					Silver tix p/line
FREIGH	T FUTUI	NES - BF	\$10/I <sub>m</sub>	dex point	Spot 200.1
	Close	Previous	High/Low		S months 011.5
			1500 t250		\$ months 323.1 12 months 346.1
May Jun	1293 1203	1268 1217	1219 1205		16 mm////20 340-1
Jul.	1110	1115	1120 1110		
Oct	1206	1214	1210		
8F1	1305	1313			
Turnove	r 68 (247	3			TRADED OFFICIES
					Absolutus (99.7%)
-				ennot/2	Strike price \$ tonn
CH 4 (2)	- 87%			Diffusion	
Wheat	Close	Previous	High/Low		1450 1550
May	120.85	120.00	121.00 120		1650
مسك	121.95	121, 10	122.00 121	.60	
Sep	114,70 117,75	114.50	114.70	70	Copper (Grade A)
Nov Mar	124.00	123.85	123.85 125	L85	2400
Milit	126.85	126.70	125.70		2500 2800
Berley	Close	Previous	High/Low		
	105.25	105.25	105.75 105	50	Collee
May Seo	112.55	112.35	112.00 112		600
Nov	116.30		116.50 118		650
Mar	122.85		725		700
Turnove	r. Wheat	247 (140).	Barley 32 (	106).	Cocca
Turnove	r lots of	100 tornes	•		800
					860
			ah Bawa		900
PICS -	BPE	<u>_</u>	esh Settlean	क्या कारी	20012
	Close	Previous	High/Low		Breat Crude
	CHUBS	F1041000	ngacoe		1700

										_									
Close	Dick	_	rious	High/Low	_	aupplied			hetal Trading) Don Interest	HEAT	ING OIL 4	2,000 UB 9		JB gaile	C	ricaç	10		
	perity (	_							10.850 tonne	lus		Previous	High/Low	4400	- <b>SOY</b>	AREANS E	,000 bu min;	conta/80%	bushel
1539-4		1536		1535/1590	1	532-4				Jun Jul	5205 1476	8092 8048	8226 618 <b>6</b>	5195 8080		Close	Previous		-
1980-1		1656		1683/1556	1	354-6	1506-7		5,004 Mm	وننه	5240	5129	6265	5166		623/4	692/0	634/4	820
ade A (	£ per to	mene)					Rin	g turnover	39,025 tonne	Dec	5685 5495	5557 5530	5665 5425	5625 5435	Jul	635/6	643/6	648/4	632
1643-4		1690		1695/1640 1535/1514	. 1	690-6 527-8	1518-4		0,525 lots						Aug Sep	641/6 642/2	649/8 850/0	<b>854/</b> 0 <b>658/</b> 0	636
1522-8		1040	_	1939/1914		22.4			11,450 tonne						Nov	848/0	657/4	662/4	639. 645.
tonne) 496-7		513-		40R/4DE	-	195-6	na!	g unification	115-00 DIRIG						Jan - Mar	698/0 866/4	667/4	672/0	655
491-1.4	<b>5</b> .	801-	ě	498/490	- 4	100-1	494-5	0	Jitrii lots	000	DA 10 tons	es;\$/lonne			May	674/0	677/4 687/0	681/6 689/0	666 674
r tona	9)	_					PLI	ng turnovo	≥ 2,776 tonne		Close	Previous	High/Low		BOY/	ABEAN OF	- 60,000 lbs;	genes/lb	
8375-4			1000	0880/8550	8	625-50				May	1990	1290	1390	1345		Close	Previous	_	-
0400-5	0	9750	1-75	8675/6900	-	675-700	8900-6		,321 lots	أناك	1405	1301	1410	1364	May	24.60	24.53	PA73	24.5
nne)					_			ling aime	ver 790 tonne	COFF	FE -C- 21	,500lbs; ce	nte/libs		Jui	24.60	24.55	24.75	24.2
6510-2 6615-4		8620 8820	1-30 1-5	8490 8620/8580		480-90 895-805	8805-1	5 8	.486 lote		Close	Previous	High/Low		Aug	24.45 24.25	24.48 24.30	24.62	34.1
d Hilliah			r tonne)	-					11,800 tonne	May	89.50	89.40	89.98	88.90	- Sep Oct	24.00	24.03	24.35 24.10	\$3.9 23.7
1812-4		1835		1825/1800	-	1910-6			1-600 101	Jul Sep	90.95 92.99	81,41 83,33	91.70 93.50	90.05 91.75	Dec	23.76	23.81	23.92	23.4
1727-8		1725		1720/1708	1	715-20	1720-0	1	7,876 lots	Dec	95.25	95.50	95.55	94.10	Jan	23.45 23.26	23.65 23.42	23.76	23.3 23.2
2/8 :										Mar	925	97.50	97.70	95.75	acv.		AL 100 tons:		
		1115	がま 1.8		- 01	months: 1.			hershite 1.8027	May	99.13 100.75	99.25 101.26	88.00	<b>96</b> .00	3017	Close			
21.2	المياز ني				M.	w Y	-			Sep	123	103.25	102.50	102.50	Marc	_	Previous	High/Low	
_			E exputive	loni	ME	W T	OFK								May Jui	179.2	165.7	184.0	179.
1 \$ pr	4-500 <sup>1</sup> 4				GOL	100 troy	DZ.: Silver	COL.							Aug	184.5	165.1	189.5	184.
	4-3674 4-3674		218 2-21			Close	Previou		-						Sep Oct	186.3 188.0	189.6	191,0 192,5	186. 188.
388.	50		219.031		May	368.3	388.8	0	0	SUGA		112.0		ts/1b6	0	101.7	194.8	196.2	190.
369. 369	00 4-8704		219.367		Jun	359.9	370.5	372.0	969.8		Class	Previous	High/Low		Jan Mar	193.5 197.0	196.5 199.9	195.0 199.0	192. 196.
3671	4-367%				Jul	372.4	372.9	0	0	العالب	14.70	14.88	15.05	14,07	_				
	lane.	_	E equive	in the	Aug Oct	374.4 379.5	375.2 380.2	376.6 381.1	374.1 379.3	Oct Mar	14.77	14.84 14.28	14.97 14.40	14.06	MAIC		min; cents/		
\$ pv				DOI N	Des	184.3	386.0	386.0	384.0	A STATE OF	14,13	14.16	14.28	14.13		Close	Previous	HOALD	
375-			223-226 223-226		Am.	399.7	400.2	0	6	Jul Oct	14.01 13.65	13.97 13.63	14.03	14.00 13.85	May	290/0 291/0	287/4 290/0	291/0	2864
375-	380		223-226		_					-	10.00	recep	PG.BG	10.00	Sap	283/6	283/6	291/6 284/6	287/- 282/
375-			219-221		PLAT	PHUM 50 t	roy oz; \$/1	roy oz.							Dec	280/0 286/2	280/0	282/0	2771
8612	-88 <sup>1</sup> 2		31 2-00			Close	Previou	High/Lo	2W						May	289/0	286/2 288/4	298/0 290/4	287/4
86 <sup>1</sup> 2	-861 <sub>2</sub> 55-499.3		51 <sup>1</sup> 2 -63 292, 15-2	M 80	Jul	487.5	483.9	491.5	484.0	COTT	ON 50,000	cents/lbs			_Jul	291/4	291/0	294/0	290/
491-	<del></del>	9	202 10-0		Oct	493.5 500.2	490.2 496.5	497.5 500.2	407.5		Close	Previous	High/Low		WHE/	T 5,000 b	min; cents/	60th-bushel	4
p/lin	e 02		US cts e	dnja		-	400.0	300.2	497.3	Def.	75.10	75.36	76.36	T4.07	. —	Close	Previous	High/Low	
300			305.18	_	===					Oct	71.10	71.65	71.65	70.95	May	384/4	381/4	384/4	381/
323			615.75 526.80		3H.TI	ER 5,000 tr				Dec	68.25 69,10	68.37 89.20	69.70	68.02 69.05	Jul Sep	344/0 348/4	344/0	346/2	342/
348.			549.20			Gloss	Previou	s High/Lo	Dela .	May	69.65	69.55	69,65	69.50	Dec	362/4	350/0 362/6	352/2 364/6	347/2
					May	506.0 507.0	504.3 505.5	507.0	506.0	Jul .	69.88	69.45	69.50	0		369/0	368/4	389/4	385/4
					Jul	512.5	510.5	516.D	0 504.5	Oct	64.00	03.76	0	U	May	357/0	358/0	359/0	357/0
					Sep	521.0	518.9	524.5	518.5						TIME (	CATTLE 40	,000 lbs; cer	(a/1)	
morts					Dec	534.0 547.0	530.6 542.1	538.0	\$30.5							Close	Previous	High/Low	7
	_	-10-		-	Mary	550.8	550.8	547.0 0	845.G 0						Jun	75.96	74.07	74.25	73.75
99.7%				uts	Jul	559.1	558.6	ŏ	ŏ	ORAN	GE JURCE	15,000 lbe;	cents/tbs		Aug	72.4	72.42	72.55	72.10
\$ ton	e July	Sep		Sep							Closs	Previous	High/Low		Oct Dec	74.77 75.32	74.45 75.00	74.85 75.35	74.30
	113	150		19	HGH	GRADE C	OPPER 26	.000 lber o	ente/ibe	Mary	197.00	100.70	197.50	196.10	Feb	75.35	75.10	75.45	74.90 75.07
	45 12	68 30	37 102	54 112		Close				Jud	193,20	194.10	195.80	193.20	Apr	75.75	75.60	75.90	75.55
4. 41				\.			Previous			Sep	188.25 182.50	188.30 182.40	189.80	186.25	Juni	73.80	73.90	73.90	YUK
de N		elle			May	124.00	125.05	125.50	122.16	Jan	176.40	178.40	163.15 179.00	178.40	LIYE	10GS 30,0	00 lib; cents/1	os	
	218	159		81 128	افات	115.00	117.05	117,75	114.00	Mar	179.25	178.40	0	O		Close	Provious	High/Low	,
	150 97	109 72	100	187	Aug	110.40	114.00	112.50	112.50	May	179.00			0	Jun	63.50	63.65	64.06	62.85
		_			Sep Oct	108.80 107.85	111.15 109.55	111,20 108.00	108.00 108.00	Jul	179.00	170,10	0	0	Jul	62,02	62.20	62.60	61.60
	W	Pip	Jul .	Sep	Nov	105.90	107.90	108.00	108.00 108.00						Aug	60.22 53.70	60.25	60.50	59.75
	37	65	12	24	Dec	104.50	106.35	108.25	101.00						Dec	53.47	53.97 53.50	54.25 53.80	53.60 55.25
	12	39	57	46										-	Feb	51.52	51.58	51.75	51.40
	3	23	78	82	CRUIC	XE CHL (Lig	hr) 42 mm	US pelle 9	t/herre!	2001					Apr	48.00	48.00	48.00	47.80
	44	Sep	ايال	Sep						REST	rers (Bes	e: Septemb	er 18 1931	<b>= 100</b> )	Jun	51.00	51,00	51.10	61.00
	105	125		15		Clicate	Previous				May 1	May 11	mnth ago	yr ago	PORK	BELLIES A	10,000 lbs; or	ents/ib	
	<b>8</b> 5	29 80	15	27	Just M	10.04	18.85	19.65	19.08		1919,7		1926.9	2010.5		Close	Previous	High/Low	
	35	60	35	48	Jud Judi	19.93 20.04	19.34	19.91 20.00	19.49 19.70	DOW		Base Dec. 5			Muy	62.00	64.00	<b>63.85</b>	62.00
	أريل	Aug	لبال	Aug	580	20.15	19.78	30.07	19.85	===					Jul	62.82	64.45	84.80	62.52
		_			Oct	20.26 20.20	19.88	20.18	19.96			May 10		yr ago	Aug	60.96 50.00	62.05	62.45	50.4E
					Nov	241.241	19.88	10.15	19,91	i Gass	400 33	485 55	102.00	138.36	Feb	<b>69.90</b>	60.15	80,50	69.76
	70		29		Dan	20,18	10.84	20.16	19.85	Spot	135.77 es 134.12	136.50 134.89	135.68	138.80	Mer	59.50	60.05	59.90	59.50

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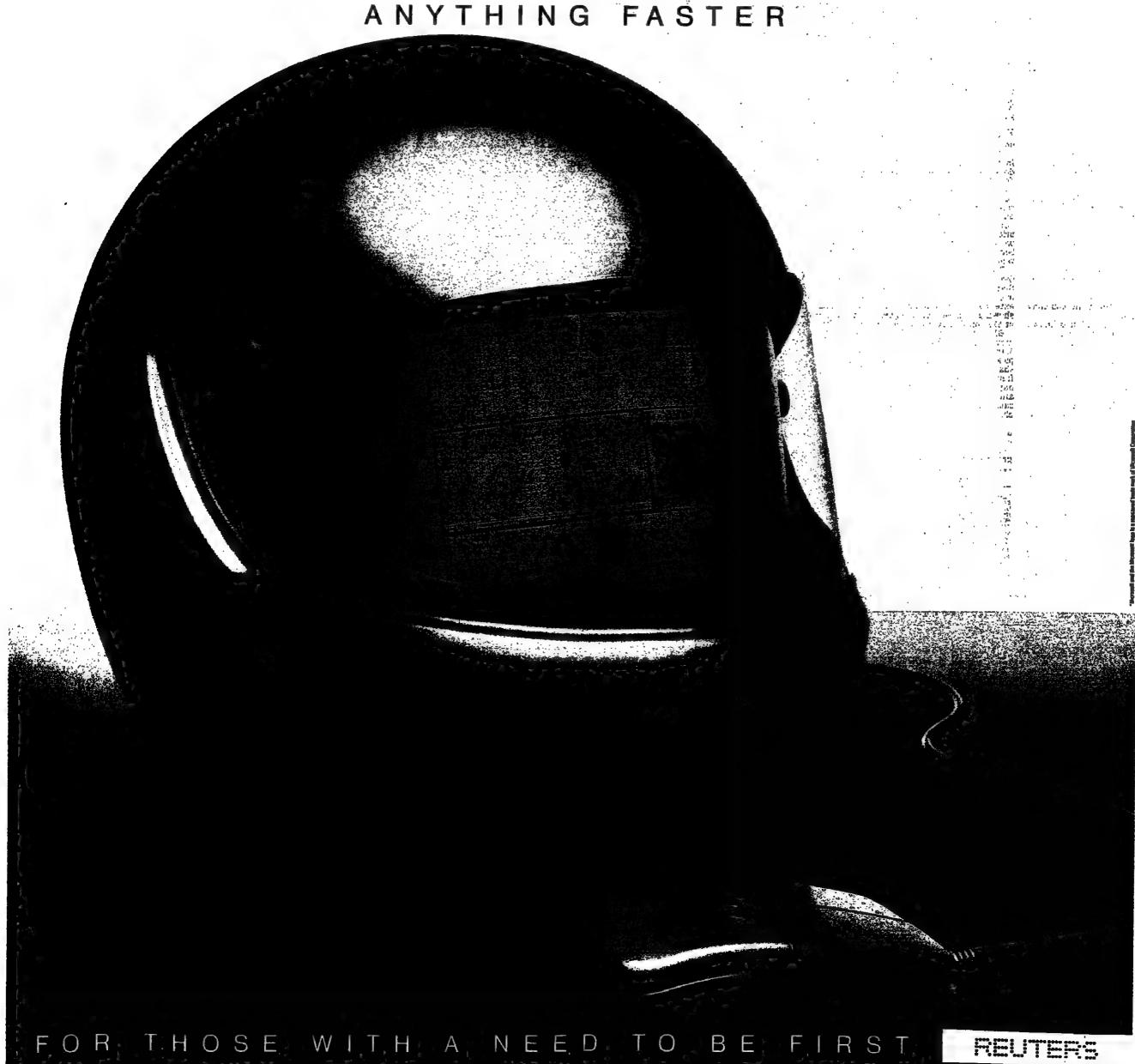
When Money 2000 is used with the Microsoft\* Excel real-time spreadsheet you can perform continuous calculations on targets and limits to support your specific trading and investment needs. And naturally, Money 2000 brings all the benefits of Reuters unrivalled contributor base.

So if you need to keep your finger on the pulse of money, Money 2000 is more than the

It's also the logical one.

#### MONEY 2000

# YOU WON'T HAVE HANDLED



# London follows the New York trend

THE SEEMINGLY brightening prospects for the US stock markets dominated the London equity sector yesterday, out-weighing any adverse implica-tions of the latest economic data on the British economy. Spurred on by the success of

*†* -

the Dow Jones Industrial Average in breaking through to new peaks in early trading. London opened the new trad-ing account with its best daily rise since last July, as the FT-SE Index gained nearly 39 points to 2.214.5. Last night's close restored

the Footsie precisely to the level last recorded on April 17; however, in April the Footsie 2,200 area proved the top of an

Account Dealing Dates May 14 May 28 Option Declaration May 10 May 24 48.7 Account Days, May 21 Jun 4 Jun 18

market trading range which subsequently bottomed out around 2,100. The past four weeks have seen equities plunge and then recover by 100 Selective demand from insti-

tutions brought substantial rises yesterday in such Wall Street-orientated blue chips as

Glaxo, Unilever, BP and Shell Hanson traded heavily shead of today's profits statement. But across the full range of the market, turnover was disap-pointing, with ICI and Legal & General among leading stocks to record trading volume below

London took its opening cue from Friday's powerful advance on Wall Street which had been followed by a firm session in Tokyo. The Pootsie index was 28 points up at its first official calculation, as marketmakers upgraded Friday night's quotations before buyers could make an inroad into the market. The upturn was quickly con-

FT-A All-Share Index

**Equity Shares Traded** 

Mar Apr May

pated placement by ICI of its near 25 per cent stake in the oil

company. Lasmo added 17 at

worries about possible losses

involving Drexel Burnham

Lambert, put on 9 to 350p on 2m shares. The company is due to reveal first-quarter figures tomorrow, with BZW looking for net income of £21.6m

Internationally quoted

Internationally quoted stocks advanced in response to Wall Street's strong performance on Friday night. ICE climbed 20 to 1137p, Glaco and Reckitt and Colman each added 21 at 822p and 1180p respectively, while Smithkline Beecham put on 10 to 512p. Business was brisk in Glaxo, where 3.8m shares changed hands, and above average in Smithkline with 1.4m.

Hanson continued its return to perky mood with an

to perky mood with an improvement of 8% to 236%p. Traders said weekend news

that the company had raised its bid for Newmont Mining's

55 per cent stake in Peabody to \$725.6m had boosted the

shares. Hanson has 45 per cent

against 234.6m.

Ultramar, shrugging aside

Turnover by volume (million)

1150

1100

solidated in early trading but checked at mid-morning by the disclosure of data on domestic retail sales and prices; gains of one per cent in both retail sales and producer prices in April appeared to be discouraging news on the anti-inflation.

However, it was clear that the equity market had only one thought on its mind, and that was the prospect for the new session on Wall Street. New York equities hesitated at first but then moved above the existing trading peak just as the London futures market was closing. A final burst of sup-port for the Footsie futures contract, confirming the 40

been underperforming the US market and was due for a recovery. Its strong first-quar-ter results, announced on Fri-

day, was the catalyst, they added.

shares changed hands. There were signs that some investors were continuing to switch into the stock from leading food retailing issues. Sainsbury

added 3 at 257p ahead of its final results due today. According to UBS Phillips & Drew, the

market was anticipating earn-ings of between £410m and

£413m net of property profits, compared with £375m last year. Brewery issues entered the

final furling of the results sea-son race at a gallop. Grand Metropolitza, with interims

tomorrow, climbed 11 to 591p. Whithread, which reports final

figures on Thursday, saw its "A" shares improve 8 to 392p,

and Allied Lyons, which has finals today, rose 9 to 438p. Dealers noted a persistent overseas buyer of Allied. Cable and Wireless rose 8 to 506p ahead of a forthcoming

presentation to Japanese insti-tutions in Tokyo. GEC, rated a chart buy by BZW, put on 6 to 207p on 3.8m. BICC edged up 5 to 415p as the analysts' trip to the group's cables operations in North America continued.

STC were strongly supported,

adding 8 at 250p. Suspicions that Swiss arbitrageur Dr Tito Tettamanti had been adding to

his near 20 per cent stake boosted Uniteek 9 to 345p. The high street banks improved across a broad front led by Linyds, which advanced

10 to 272p on turnover of 1.5m. Midland lagged behind, adding only 8 at 300p on 1.4m. Klein-

wort Benson, up 6 at 361p attracted attention in the mer-

chant banks by announcing it had recently bought in a fur-ther 50,000 shares at 356p

New life and pensions business figures for the first quarter of the calendar year were

behind a very strong performance by the life assurance stocks. The Association of British Insurers said new annual premiums for individual life and premiums for individual life.

209p, while Lloyds Abbey Life put on 8 to 297p. Britannic added 15 at 594p and Refuge 26

at 623p.
An important week for com-

posite insurers saw Commer-cial Union up 6% at 45tp. The group reports first-quarter fig-ures on Wednesday which are

Argyll, the supermarket

point premium over the under-lying market, sent the Index ahead again to close at the day's best level. There was little jubilation in

the marketplace, however. Seeq trading volume at 375.1m shares was well down on Friday's 510.1m and still wedged below levels regarded as profit-able for the London market, Official statistics from Lon-

don's international Stock Exchange confirmed yesterday that equity volumes were 10 per cent down in the first quar-ter of the year. Suggestions that more securities firms plan to withdraw from equity mar-hetmaking in London continue to circulate in the City.

expected to show a loss in the region of £85m, compared with a profit of £45.1m for the same period last year. Reyal Insurance, reporting

Huddersfield-based glass products group Heywood Wil-liams maintained their strong

for at least a week.

The hig building groups shrugged aside the latest quarterly survey, described as deeply pessimistic, issued by the Building Employers Consideration Traject Woodpoor.

Among otherwise quiet tale-vision stocks, TVS Entertainments fell 6 to 33p ex-dividend on press reports that the US channel ABC Network had

first-quarter numbers on Thursday, moved up 9 to 438m. Hoare Govett is looking for a loss of 255m and BZW a loss of £73m, against a profit of £44.7m. for last time.

progress, closing a further 9 higher at a 1990 high of 269p. The market was full of stories The market was full of stories that a 3.8 per cent stake in Heywood, rumoured to have been held by Hanson, had been passed on to Pilkington, believed by specialists to be considering a bid for the company. There were also suggestions that a stakebuilder in Heywood had been operating for at least a week.

federation. Taylor Woodrow, ahead of a Hoare Govett seminar to Scottish institutions in Glasgow today, with another to be held in Edinburgh tomorrow, rose 6 to 277p.

withdrawn the TVS series "Capital News." Industry sources confirmed that although the decision had not been finalised, it was likely to be confirmed. Ms Bronwen Maddox, an analyst at Kleinwort Benson, said the decision would "not be good for the morale of the production com-

FINANCIAL TIMES STOCK INDICES 127.4 (9/1/35) 76.95 86.83 49,18 (3/1/75) 86.07 85.93 85.61 85.36 85.18 97.44 92.91 (30/4)2008.6 (5/9/89) 1653.6 (30/4) 734.7 43.5 (15/2/83) (26/10/71) 378.5 (6/2) 215.5 (3/5) 227.9 228.6 227.0 2214.5 2175.9 2157.0 2162.7 2182.0 2149.9 2103.4 2453.7 996.9 (30/4) (3/1/90) (23/7/84) FLISE IM Seine (3/1)Ord. Div. Yield Earning Yid %(full) P/E Ratio(Net)(\$\delta\$) Basis 100 Govt. Secs 15/10/26, Fixed int. 1928 11.77 10.27 Ordinary 1/7/35, Gold mines 12/9/55, Besis 1000 FT-SE 100 31/12/83, ☆ NR 10.16 11.**92** 10.13 12.04 10.02 12.00 SEAO Bergns 4.45pm Equity Turnover(£m)† Equity Bergains† 25,050 876,75 24,619 418,8 20,474 19,872 873.81 598.23 19,608 19,417 353.2 284,4 GILT EDGED ACTIVITY 22.957 21,788 685,21 20,883 296,2 Glit Edged Bargains 110.1 116.4 5-Day average 108.2 102.6 Ordinary Share Index, Hourly changes Day's High 1753.8 Day's Low 1722.6 "SE Activity 1974, †Excluding Intra-market business à Overseas sumover. Calculation of the FT inclose of daily Equity Bergains and Equity Value and of the five-day everages of Equity Bargains and Equity Value, was discontinued on hity SI. Closing values for July 29 evaluable on request. London report and tatest Share Index. Tel. 0898 123001. Open 9 am 10 am 1725.9 1725.9 12 pm 1 pm 2 pm 3 pm 4 pm 1722.6 1725.9 1725.9 1726.4 1727.4 1730.7 1731.1 1730.6 1729.8 FT-SE, Honry changes Day's High 2214,6 Day's Low 2202.0 Open 9 am 10 am 2205.9 11 am 2205.6 2210.4 22 pm 2210.9 2210.0 2209.3 TRADING VOLUME IN MAJOR STOCKS



pany but it would considerably help the company's cash flow." Shares in the chemicals sector followed the market direc-tion. BOC shares moved forward as they made up the dividend payment, closing 13% up at 519p ex-dividend. Also firm were William Canning and Laporte. The former hardened 5 to 210p, while the latter

gained 11 to 517p.

A big buyer was noticed in
BET, the shares advancing 7 to
230p as turnovar reached 1.2m

Gestetner firmed 4 to 234p, helped by a profits upgrading from BZW. The securities house is now predicting 1990 profits of £54m, up from its pre-vious estimate of £48m, and forecast 1991 profits of £69m, up from £51m. BZW believes

the recent acquisition of travel division. Final results Nashua Office Systems will slightly dilute earnings per share in 1990, but thereafter enhance the company's earn-Confirmation that Eurotun-

nel plans to make a rights issue to help it cope with cost overruns left the shares 25 lower at 530p. Traders said the shares were particularly vul-nerable after tunnelling delays last week in the wake of the death of a construction worker. A prediction from Hogs Rob-inson that profits for the year ended March 31 would be "substantially" higher than the pre-vious year pushed the shares 10 better to 125p. Hogg said the good performance was due to excellent trading in thefinal months, particularly in the

are due on June 27. A cautious statement from the chairman at the company's annual meeting left IMI 3 lower at 227p.

GEN continued to languish

after last week's profits warning and closed a penny easier at 359p on turnover of 1.8m the stock and have now joined other securities houses by cutting profits expectations. For the current year, expectations have been cut by £25m to £200m, while the forecast for 1991 now stands at £213m, down from the previous figure of £235m Other Market statistics.

including the FT-Actuaries share index, Page 29

# Reaction to court ruling

CONFIRMATION OF last week's suggestions in London that Smith & Nephew might be forced to pay damages to a California group gave the company's shares another knock.

Some \$33m (£49.4m) in damages to a California group gave the company's shares another knock.

ages was awarded yesterday against a US subsidiary of the UK pharmaceutical group in a civil action brought for breach of contract and misappropria-tion of trade secrets. A ruling on loss of revenues is due before the end of the week Smith & Nephew said it would appeal.
Mr James Dodwell at BZW

said: "It will mean £5m extra on interest charges per year in 1992. It would mean gearing rising from 60 per cent to 75 per cent too.

Mr Ian Moore at UBS Phillips & Drew was more cau-tious on what the court ruling would mean for Smith. "We do not know the whole story," he eaid. Although the award was higher than expected, it would not affect the current year and Mr Moore was unlikely to adjust his forecasts until the end of the year. Smith & Nephew fell to 104p

at one point in heavy trading. Bergain hunters moved in and the price recovered to 105p en-dividend, a decline on the day of 3 and on the week of 16. Volume was a high 13m shares. A continued sharp recovery from Mecca Leisure triggared renewed speculation that Rank Organisation might be prepar-ing a bid for the company. Traders spoke of an offer of £1 a share, valuing the company at £314m. Rank Organisation is known

to have bid for Mecca at the time of its management buy-out from Grand Metropolitan in the autumn of 1985. Rank was understood to have offered £100m then for the company, which eventually went Some traders were sceptical yesterday, however, claiming that the Mecca price was firm because the company had, as announced yesterday, put up for sale its Character Hotels

Trading volume in Mecca was a high 4.2m shares and the price recovered 5 to 70p, up from a level of 57p seen earlier this month. The year's peak, this month. The year's peak, touched in January, was 175p. Polly Peck, the electronics and fresh produce group, rose 5.3 per cent yesterday in busy trading following news that in a sale and lease back deal involving nine of its ships, it had raised \$237.8m. Polly Peck closed 21 ahead at 419p ex-dividend after volume of 4.5m. Turnover was lifted by UK institutional buying and some US interest. Income funds were also said to be under weight in stock and had been looking to buy.
The transaction gave Polly

Peck a net book profit of \$53.6m, according to Mr Peter Jones of Shearson Lehman Hutton. The all-cash deal will allow Polly Peck to reduce its gearing to about 75 per cent from 95 per cent at the end of

However, analysts said they did not intend to revise their forecasts ahead of the company's annual general meeting on May 22. Mr Jones said he on May 22 an Journe can be expected an upbest statement from the chairman, while Mr Philip Dorgan of Goldman Sachs thought a potentially bullish announcement on a bullish announcement on a restructuring of the group's electronic interests was a pos-

Oil and gas issues were smong the market's best performers, helped by positive news on oil production emerg-ing from Opec. It was said that after a meeting between Sandi Arabia, Iraq and Kuwait, the Saudis agreed to reduce output to their quota level of 5.38m b/ d and that Kuwait had stopped apot sales of crude. One specialist said: "At long last it looks as if Opec are

doing what they promised to do." Another analyst, however, was sceptical: "One should not get carried away by this sort of thing, only time will tell if pro-duction is being cut." He pointed out that crude oil prices are still below the \$18 a parrel mark and have averaged between \$18.50 to \$19 for the year to date.

British Ges duly amounced the hig management abake-up that had been expected by the market and the shares extended last week's firm showing to close a net 6 higher at 210p on turnover of 5.5m. BP, in ex-dividend form, moved up 14% to 319p, with 5.4m shares traded. Shell picked up 11 to 453p on 3.6m shares ahead of first-quarter figures, scheduled for Thursday along with the group's annual meeting. Specialists

said that US brokers had been chasing the majors.

A sharp rise in Enterprise, up 18 to 618p, was interpreted by one observer as possibly

said that a bidding war was on the cards. Hanson reveals interim figures today. Unilever advanced 20 to 687p

pressging, or preparing the ground for, the long-antici-

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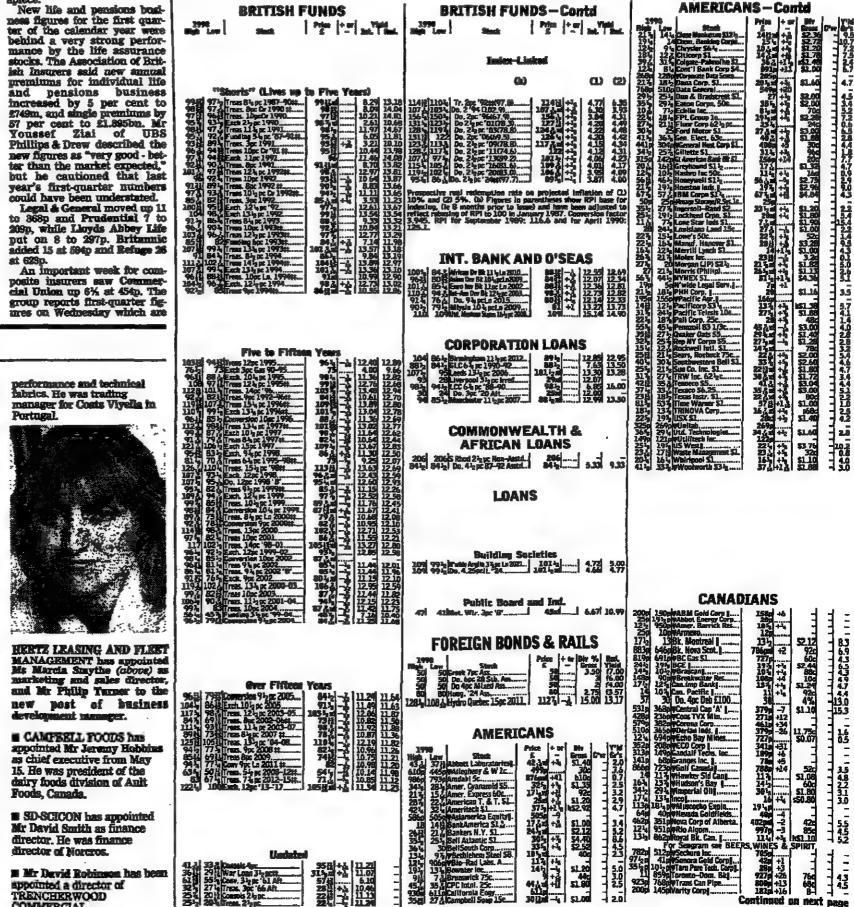
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## **NEW HIGHS AND LOWS FOR 1990**

# on 2.4m following the strong rise on Wall Street last Friday. Analysts said Unilever had

# APPOINTMENTS

LONDON SHARE SERVICE



## Directors of **Kleinwort** Benson

Mr Ian Peacock and Mr David Wake-Walker, joint heads of the banking division, together with Mr Brian Manning, joint head of the treasury division, have been appointed directors the HIEDWORT BENSON GROUP Mr Andrew Caldecott, Mr Michael Hawkes and the Earl of Limerick have retired from the board.

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Mr Gregory Klunis has been appointed head of risk management at COUNTY NATWEST SECURITIES and will join the group later this month. He was with Morgan Stanley in New York, responsible for trading and risk activities in the analytical proprietary trading department.

Mr Keith Smith, a director of Mocatta Commercial, has been elected to the board of the LONDON METAL

Ms Patricia Collins has been appointed group company secretary of NORMAN HAY. She was assistant company secretary of Matheson & Co (a Jardine Matheson

■ P.J. CARROLL & CO has appointed Mr Cecil Hayes as its finance director from June  He is currently investment and commercial director of Killeen Holdings. Mr T. Jefferson Cunningham III has

m Mr J.R. Renderson will be retiring as chairman and as a director of HENDERSON ADMINISTRATION GROUP at the annual meeting on July 3. He will be succeeded by Mr D.M. Backhouse, another Henderson director.

FOSTER WHEELER AUTOMATED WELDING has appointed Mr Jim Wheeler, group chief accountant, divisional operations, as its financial director.

Mr David Hughes has become financial director of JOHNSON & HIGGINS and its associate CBC UK where he succeeds Mr Arun Rapur. Mr Hughes was finance director of White Kerett Reinsurance Brokers.

 Mr John Clark, managing director of Butler Buildings, has joined the main board of the MELVILLE GROUP. Butler, a manufacturer of metal building and roofing systems, was acquired by the Melville Group in May last

Mr Raymond Schofield has been made financial director at JOWETTS, the carton and packaging subsidiary of Watmoughs (Holdings).

At LAKE & ELLIOTT INDUSTRIES Mr Peter Garner has become managing director. He will remain chief executive of Paralloy, a subsidiary of Lake & Elliott Industries

Mr David A.J.Burns has been appointed representative for BANCO DE PROGRESO in London. He was head of special finance at Security Pacific National Bank in

The RATCLIFF GROUP Is

making the following changes: On June 1 Mr John Lane will become managing director, tail lift division, Ratcliff Group, with overall responsibility for all tail activities worldwide, and Mr Bob Nice manufacturing director, succeeds him as managing director, Ratchil Tail Lifts. Mr Simon Stuart has become financial director of Ratcliff

At C.H. INDUSTRIALS Mr James Benson has been appointed group corporate

# EUROTHERM INTERNATIONAL has appointed Mr Peter Bradley taxation manager, additionally as company secretary.

 CARRINGTON NOVARE, part of the Coats Viyella group, has appointed Mr Mark Lewis as commercial director, responsible for performance and technical fabrics. He was managing director of Lantor UK, part of the Tootal Group. Mr Stuart Pywell becomes export manager for

erformance and technical fabrics. He was trading manager for Coats Viyella in



HERTZ LEASING AND FLEET MANAGEMENT has appointed Ms Marcia Smythe (above) as marketing and sales director, and Mr Philip Turner to the new post of business ent manager.

■ CAMPBELL POODS has appointed Mr Jeremy Hobbins as chief executive from May 15. He was president of the dairy foods division of Ault Foods, Canada.

M SD-SCICON has appointed Mr David Smith as finance director. He was finance director of Norcros.

Mr David Robinson has been appointed a director of TRENCHERWOOD COMMERCIAL

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# FT UNIT TRUST INFORMATION SERVICE

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## **CURRENCIES, MONEY AND CAPITAL MARKETS**

## **FOREIGN EXCHANGES**

# **D-Mark falls on elections**

THE D-MARK weakened after Sunday's state elections in West Germany resulted in the ruling Christian Democratic Union losing its majority in the upper house of parliament.
Dealers regarded the CDU loss
of the election in Lower Saxony and its inability to overturn the Social Democrat majority in North Rhine-West-phalia as a rebuff for the plans of Mr Helmut Kohl, the West German Chancellor, on Ger-

man unification. The election results renewed uncertainty surrounding the D-Mark, as voters indicated their fears about the financial costs of monetary union with

East Germany. Trading within the European Monetary System left the D-Mark generally weak, losing ground to the Italian lira and French franc. The Bank of Italy bought DM100m at the Milan fixing in an attempt to stem the strength of the lira, but the italian central bank did not appear to support the French franc, the lowest placed member of the system. The lira remained around its upper

remained around its upper divergence limit against the weaker EMS members. At the London close the D-Mark had fallen to L735.50 from L737.95 in terms of the lira. The West German currency also lost ground to the

S IN NEW YORK Latest.

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CURRENCY RATES								
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1,4630; 14,382; 42,316; 7,802; 2,044; 2,704; 6,8908; 1,91,51; 7,9598; 1,28,33; 1,7770; 1,7379; 102,01; 102,01;

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OTHER CURRENCIES										
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French franc, easing to FF13.2705 from FF13.2810. Comments by Mr Markus
Lusser, president of the Swiss
National Bank, provided support for the Swiss franc. The
currency has been firm of late,
on high interest rates and

demand by Japanese compa-nies covering liabilities in Swiss franc denominated borrowings. It showed little change yesterday, but rose to DM1.1785 from DM1.1690 against the D-Mark. Mr Lusser said the Swiss central bank said the Swiss central bank will keep its monetary policy tight for the foreseeable future despite the strengthening of the franc. He added: "We still have a problem of rather high inflation and we have decided to continue the (restrictive) policy to bring back price stability."

The dollar traded quietly lacking fresh factors, as the

lacking iresh factors, as the market waited for today's fig-ures on US industrial produc-

tion; tomorrow's data on consumer prices; and Thursday's trade figure's for March.
At the London close the dollar had advanced to DM1.6445 from DM1.6305; to Y152.75 from Y152.65; to Y152.75 from SFr1.3950; and to FFr5.5425 from FFr5.5125. The dollar's index rose to 67.0 from 66.8

Sterling was also on the side-

lines. Economic fundamentals including yesterday's news of higher than expected April UK retail sales - are undermining confidence, but to a large extent this is already reflected in the pound's value. Interest rate differentials in favour of London and nervousness about the D-Mark provided some sup-

port.
Sterling was unchanged at \$1.6815 and at Y256.75 yesterday, but rose to DM2.7650 from DM2.7425; to SFr2.3475 from SFr2.3450; and to FFr9.3200 from FFr9.2700. The pound's

May 14	Short, tent	7 the notice	Care Month	Three Months	Stz Months	Onte Year
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EURO-CURRENCY INTEREST RATES

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May.24	Day's Spread	Clone	Gen month	9% D.E.	Three postis	PA.
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W. Germany Portugal Spain Italy Horway France Sweden	2.75% - 2.77 244.40 - 245.73 172.80 - 173.80 10.74% - 10.77% 9.29% - 9.32% 10.08% - 10.12% 256% - 238	2.764 - 2.764 244.75 - 245.75 173.00 - 173.30 20334 - 20344 10.745 - 10.756 9.315 - 9.325 10.014 - 10.104 2565 - 2574	14-15-efper 13-5-epm 12-4-epm 5-31-epm 44-4-epm 24-25-erepm 15-14-year	7.455.47.55.34 2.47.55.34	45-45m 22598 94-21pm 16-12pm 115-115pm 55-55pm	100000
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May.1A	Shuerq Orth, a	Closs	One month	P.E.	Three months	% p.r.
UK† traland† Canada Hethertands _ Belgium Demmark	16770 - 16940 16270 - 16335 11720 - 11785 18420 - 18505 33.90 - 34.05 6.254 - 6.284	1.6810 - 1.6820 1.6285 - 1.6295 1.1760 - 1.1770 1.8470 - 1.8480 3.00 - 34:10 6.26 4 - 6.274	1.01-0.99cps 0.45-0.40cpm 0.55-0.58cds 0.02-0.04cds 2.00-8.00cds 1.20-1.50creds	が記録	2.77-2.74pm 1.28-1.18pm 1.48-1.53db 0.09-0.11ds 8.00-18.00ds 3.40-4.10ds	49174 1174 1174 1174 1174 1174

Portugal 16 Innie 16	395 - 1.6479 5.60 - 145.45 2.95 - 103.40 206 - 121.14 84 - 6.41 124 - 9.554 194 - 6.134 6.60 - 193.40 154 - 11.58 100 - 1.4025 415 - 1.2470 Laien toward: 1.44 discounts 1.44 discounts	1,540-145.60 103.10-109.15 554-6.004-6.004-132.70-11.574-1.3990-11.395	145.70 103.20 12071, 4. 6.391, 1.1 6.391, 1.1 1.52.80 11.581, 1.1 1.3960	84-0.02pfpm 88-98cdh 54-59cdh 40-51.0ffredh 5-1.90credh 5-2.50credh 1.66-0.14pm 5pm-0.25gdh 1.07-0.10cdh 1.07	133 123 125 126 126 126 127 128 128 128 128 128 128 128 128 129 129 129 129 129 129 129 129 129 129	0.07-0.1 270-2 154-11 11.00-12 5.00-5.1 0.00-5.1 0.00-5.1 0.20-0.1 0.20-0.2 0.63-0.6	25dls 54db 50dls 50dls 12dls 15dls 10pm 90dls 24dls 10pm	0134140 7.41140 1.410 1.				
24			CURI	RENCY % charge from central rate	W adje	PA1	Dhor	posten Sh				
Belgian Preme Danish Krone Germen D-Merk Prench Franc Dusch Golleier Irish Punt Irish Punt Irish Lira Spanish Pesaka	7,75 2,06 6,8 2,30 0,763 152	684 1358	42.3166 7.80249 2.04449 6.89088 2.29825 0.762851, 1503.81, 128.334	356888880 554544444	4.4.11.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.	1.47 0.17 0.14 0.42 0.11 1.00 1.00 1.45						
Changes are for Ed	Ranges are for Etc. Sherefore positive change denoises a mank correccy											

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EXCHANGE CROSS PATES										
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£ \$	0.595	LAG	2.765 1.644	254.8 152.7	9.330 5.541	2348 13%	3.108 1.848	2034 1209	盟	37.2 34.0
DM YEN	0.362 3.894	0.608 6.550	Ĭ 30.77	92.88 1000	3.571 36.29	0.849 9.143	1210	7%5.6 7921	9.715 7.699	201.77 222.5
F Fr. S Fr.	1.073 0.426	1.505 0.716	2.967 1.178	275.5 109.4	10. 3.969	2519 1	3,335 1,324	2182 866.3	2.121 0.842	61.43 24.3
II FI. Lira	0.372 0.492	0.541 0.827	0.890 1.359	82.63 124.3	2.999 4.582	0.755 1.25	1.508	664.4 1000.	歸	18.4 28.1
CS BPr.	0.506 1.747	0.851 2.938	1.399	199.9 448.6	4.714 16.28	1.188	1.572	1029	100	28.90 100

## FINANCIAL FUTURES AND OPTIONS

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					State .			P	

LOWDON CLIFFED

LIFFE LING SKJ FUTURES OFTING 550,000 6486 of 180%

r- m m	Jos Sep Dec	Close 81-24 82-15	High 81-25 62-10	80-21 61-22
00 's	Estimate Previous	i volume 305 day's open in	22 (53042 L 38007 (	) 37440)
-	US TREA	SURY BOXES 32mk of 1	8 8% 10%	_

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	BATH STER L in string			
Jee See Oes Mar Jee Sep Des	Gorg 84.85 85.11 85.57 86.07 86.52 86.91 97.19 87.35	High 64.85 85.16 85.64 86.09 86.53 86.90 87.19 87.31	84.77 85.04 85.79 86.84 86.82 87.12 87.12	5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00
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st. Vol., Onc. They, one shound 3077 revious day's apin list, 35521, CSS	5 (600) 86)
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Com High (1.59 ) (1.59	1.65 Prin. 1.65 91.57 1.22 91.59 1.00 91.00 91.97 91.97 91.91 91.11

Estimated valume 125 (396) Province day's open lat. 3675 (3716)

THREE MONTH ECO MEU Las points of 1987

Minus & America Presiden 1-mth 3-mth 6-mth 12-mth 1-6715 1-6540 1-5382 1-5985

14815 Latest Righ Low Pres. 1.6714 1.6726 1.6698 1.6668 1.6450 1.6458 1.6430 1.6398 1.6170 1.6200 1.6170 1.6156

# LIFFE US TREASURY DOND FATURES OFTIONS 5100,000 640% of 180% LIFFE SHOET STERLING OFTENS 2584,000 points of 180%

114 0.91 0.70 0.49 0.32 0.12 0.07

92.37 92.46 92.44 92.40 92.46 92.46 92.40 92.48 92.43 92.55

140 d volume 53,436 Total Com in

MINISTER PRODUCTIONS WATER CONTRACTOR CONTRACTOR AND ADDRESS OF THE PARTY ADDRESS OF THE PART

ted volume 6,256 Total Open Interest 26,581 CAC-49 Partweet OLATER Shek lader Open let 2110.0 official volume 4,391 Total Open Interest 5,109

BASE LENDING RATES

	~		e.		44
ABN Bank	ij		Contis & Co	lat West related ar	15
Adam & Conspany	15		Cents Popular Bt	Northern Bank Ltd.	ī
Affied Trast Bank	15		Dunbar Bank PLC 15	Astrolit Mortsace Rank	B
Allied Irish Bank	. 12		Descar Laurie 15		
Henry Anstracter	15		Equatorial Bank sic 15	Amberdie G'rantes	16 15
Associates Cap Corp	وا 15		Exeter Trest Ltd 15%	Marcal Six of Scotland	25
B & C New Chart River			Financial & Ges. Bank 15	Popul Trest Bank	B
Bank of Baroda	15		First National Bank Plc. 164	<ul> <li>Smith &amp; Williamse Sees,</li> </ul>	15
Basco Bilbao Vizzaya			Robert Fleming & Co 15		B
Back Credit & Comm	<u>15</u>		Robert Fraser & Plant 154	TSB	15
Bank of Capies	15	_	Girotank 15		15
Bank of Ireland	15		Gaines Makes		В
Bank of India	15		HFC Back pic15		15
Bank of Scotland	ĥ		Hambrus Bank	Halfe Fresh Bank 17c	
Basque Belge Ltd	ఓ		Hampshire Trust Pic 154	Western Trest	15
Bardays Bank	15		Markable & Ges Inv Box. 15	Westpac Bank Corp.	2
Brit. Sk of Mid East.	15		(III) Samuel 415		<u>Ş</u>
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Cl. Bank Rederbani	is		Hongicong & Shaogh 15 Lespold Joseph & Soss 15	A Window of Ballie Board	Ġ
Christon led		•	Lieyds Bank	4 Monday of British March	
	ij		Mederal Bask Ltd	Banking & Securities No. Association • Descript now 5:	
City Merchants Bank	ĭ		McDaned Donata Bak. 15	Species 8.5 %. Top Ther-£50.0	72
orf unrecently total ****				3000000 TR. (0) (0 10 13),	w

# SPONSORED SECURITIES

High Low Company

1 343 295 Ass. Brik. Ind. Ordinary
38 19 Armitage and Rhodes
210 135 Bardon Group (SP)
125 96 Bardon Group (SP)
127 74 Bray Technologies
110 82 Bremhiff Care, Pref
110 82 Bremhiff Care, Pref
115 265 CCI, Grosp 11% Com-Pref
125 140 Carbo Pic (SP)
110 109 Carbo 7.5% Pref (SE)
110 109 Carbo 7.5% Pref (SE)
110 109 Carbo 7.5% Pref (SE)
125 \*Magnet Gp Ron-VotingA Car130 83 Isis Group
145 38 Jackson Groep (SE)
138 98 Robert Jesidas
146 106 Unistrut Europe Core Pref
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158 and (INSAN) YICH % P/E' div (p) 3.1 11.6 7.5 7.0 13.4 4.3 3.8 8.9 4,3 6,7 5.9 11.0 24.7 14.7 T.6 10.3 3.6 12.4 9.4 8.0 3.6 96 47 31 131 335 135 10.0 7/4 4.9 5.7 9.8 8.8 6.7 46 29.6

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA. These securities are dealt in strictly on a matched bargain basis, Neither Independent Companies Exchange Limited nor Gramville Davies Limited are market nucleus in these These securities are dealt on a restricted basis. Purther details available

Independent Companies Exchange Limited 77 Mansell Street, London El 8AF Telephone 071-488 1212 G Member of TSA

Tel: 071-828 7233 AFBD member

FINANCIAL TIMES TUESDAY MAY 15 1990



COMPANY NOTICES

ation of Dividend

Pres. 91.61 91.36 91.19 91.02 90.94 90.84 90.83

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18.00 53.00 14.00 46.00 39.00 55.50 15.00 11.00 11.00 per Single Column om extra (Min 30 cms) All prices exclude VAT

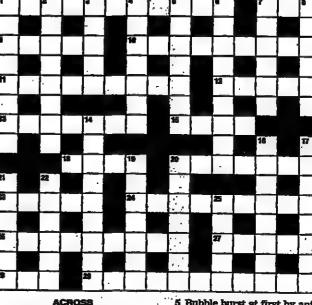
1 SOUTHWARK BRE

CLASSIFIED ADVERTISEMENT RATES

**JOTTER PAD** 

## CROSSWORD

No.7,238 Set by DINMUTZ



ACROSS

1 No 1. dressing room of the old Royal Court? (4,7)

7 Elf at the fireside (3)

9 Forest for the endlessly pas-

sionate (5) 10 Waterway of wayward chapletins (4,5)
11 Bitch-insect biting (9)
12 Never-failing courage? (5)
13 England's openers, taking tea before batting, hold fast

15 Track that cornerated (4) 18 Reversible deck (4) 20 Entire panel beaten by Roy,

heartlessly (7) 23 First character ter to produce a

brain-wave? (5)
24 One has such trouble with

the airways! (9)
26 Zoo-exhibit which cannot keep off the grass (9)
27 Violinist a long way from the how! (5)

5. Bubble burst at first by antisepsis pioneer? (7) 6 Once tried out in dark (9)

7 Country a bit short and empty (6)
8 Ticket in quarters? (6)
14 Irregularities in a semolina pudding (9)
16 Abuse semi-formal banquet

17 Henry in yacht disas-ter - what a bloomer! (8) 19 Sudden death, for example, means production cancelled

(4-8) 20 Ready-to-wear case in hospi-

tal? (7)
21 Pitiable quality of quiet

musketeer (6)
22 Disciplined city in fight with soldiers (6)
25 Erotic commons for Orsino?

(5) Solution to Puzzle No.7,237



Granville Devies Limited 77 Manuell Street, London El SAF Telephone 071-488 1212 28 This spring is bad in Germany (3) Member of The ISE & TSA 29 Shooting brake? (6-5) 1 Having received fright, was in front from the off (8) 2 Interview everybody in the II GROSVENOR GARDENS, LONDON SWIW OBD house (8) 8 Like a solid figure - firm and nice, except for the bot-FTSE 100 WALL STREET
May. 2237/2247 +17 May. 2815/2827 +33
Jun. 2247/2257 +17 Jun. 2824/2836 +19 4 Refrain from making tar 5pm Prices. Change from previous 9pm close

# Rates little changed

MONEY MARKETS

REACTION was muted to yesterday's UK economic data. A rise of 1.0 per cent in April retail sales was above most forecasts; the market expected a rise of around 0.6 per cent, but accepted that distortions over seasonal adjustments made the data look stronger than the underlying trend. Rises in producer prices were also high than expected, but had little impact. Three-month

UK clearing bank base lending rate 15 per cent from October 5

sterling interbank was quoted at 15%-15% per cent, against 15%-15% on Friday, and 12-month money eased to 15%-15% per cent from

Short sterling futures on Liffe finished on a firm note. Volume increased in the longer dated contracts as expectations remained low of any early change in UK bank base rates. September short sterling opened slightly higher at 85.06 and touched a peak of 85.16, before closing at 85.11 against

85.05 previously. The Bank of England initially forecast a money market credit shortage of £350m, but revised this to £300m at noon, and back to £350m in the afternoon. Total help of £338m was provided.

The authorities did not operate in the market before bunch. In the afternoon £258m bills were purchased, by way of £20m Treasury bills in band 2 at 14% per cent and £238m bank bills in band 2 at 14% per cent. Late assistance of around £80m was also provided.

Bills maturing in official hands, repayment of late

assistance and a take-up of Treasury bills drained £958m, with bank balances below target absorbing £30m. These outweighed Exchequer transactions adding £45m to liquidity and a fall in the note circulation of 2585m.

In Frankfurt call money was steady at 7.85 per cent ahead of this week's securities repurchase agreement tender. Dealers hope the Bundesbank will fully replace two expiring pacts totalling DM19.6bn, and may add liquidity to offset a drain of funds caused by tax

Last Thursday banks reserve holdings at the Bundesbank fell to DM57.1bn from DM60.8bn, to average DM59.2bn for the first 10 days of May. A requirement of around DM58bn is expected for the whole month. In New York the Federal Reserve added temporary

reserves to the banking system

via three-day system repurchase agreements when Federal funds were trading at

MONEY RATES **MEW YORK** Two Months Siz Months 8.05-8.15 9%-91, 81,-9 8.28-8.38 820-830 91-92 81-9 847-857 8.45-8.60 9%-10 8.10-8.20 9<u>1</u>3-911 8.00 9.50

FT LONDON INTERSANK FIXING

(11.00 a.m. May 140 3 meets US dellars

व्यक्ति श्रुप्ट

LONDON MONEY RATES						
May 14	Overnight.	7 days	Qne Month	Three Months	ŞİX Muntin	One Year
interbank Offer Interbank Bid Sterling CDs. Local Authority Deps. Local Authority Deps. Local Authority Deps. Uses and Mid Beads Discount Mid Beads Discount Mid Beads Tensoury Bill's (Buy) Finance Hosse Deposits Treasury Bill's (Buy) Bank Bills (Buy) Bank Bills (Buy) Bollar CDs. SDR Linited Dep. Bid Tibl Linket Dep. Bid Bid Linket Dep. Bid Linket Dep. Bid	1412 1212 141 <sub>2</sub> 141 <sub>4</sub>	144	1944 1954 445 689 1	1919 - \$19143987 - 8515 191943987 - 8515	15544 15545 1554 1554 1554 1544 1544 15	151215 - 1522 - 1524 1534 - 1524 1534 - 1524 1534 1534 1534 1534 1534 1534 1534 153
Treatury Bills (sell); one-month 1415 per cent; three months 1415 per cent; Bank Bills (sell);						

pressary pairs useru; one-monta Ass per cen; taree montas 14% per cent; Sank Birs Selfs one-monta 14% per cent; enem montas 14% per cent; Treasury Birs; Average tender rate of discount 14.5209 p.c. ECGD Fixed Rate Starting Export Finance, Make up day April 30, 1990. Agreed rates for period May 26 to Jam 23, 1990. Scheme I; 15.94 p.c., Scheme II & III; 16.49 p.c., Reference rate for period March 33, 1990 to April 30, 1990. Scheme II & III; 16.49 p.c., Reference rate for period March 33, 1990 to April 30, 1990. Scheme II & III; 16.49 p.c., Local Authority and Finance Houses seven days notice, others seven days fixed. Finance Houses Base Rate 15½ from May 1, 1990; Bank Deposit Rates for sams at seven days notice 4 per cent. Certificates of Tax Deposit (Scries 6); Deposit £100,000 and over held under one month 1.1½ per cent; one-time months 13 per cent; time-star months 13 per cent; time-star months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits with the month of Cash \$\frac{1}{2}\$ per cent.

ASSIFIED KILSEMEN RATES

WOALD SIC	VK MANKETS
Alistria FRANCE (continued) GERMANY (continued) ITALY (continued) SWEDEN  May 14 Sch + er - May 14 Sm. + er - May 14 Sm. + er - May 14 Lire + er - May 14 Kroner + er -	INDICES
Austrian Altians   4,970   150   1	NEW YORK   May May May May May 1990   Since compilation   14   11   10   9   HIGH   LOW
Company   Comp	14 11 10 9 HIGH LOW HIGH LOW AUSTRALIA AB ORIGING (1/180) 1517.2 1691.6 1474.5 1477.8 1713.7 (1/20) 1434.5 G0/PJ AUSTRALIA AB ORIGING (1/180) 1517.2 1691.6 1474.5 1477.8 1713.7 (1/20) 1434.5 G0/PJ C2/7/30 AUSTRIA
Commiss Fr.   1,645   25   Continental Ms   295.2   3.8	Home Book: 89 74 89 44 89 28 88.97 93.04 58.48 CALL CALL CALL CALL CALL CALL CALL CAL
Comparison   Com	94.0 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)
CE   623   -1   Degistal   522   -1   Degistal   523   -1   Degistal   524   -1   Degistal   526   Degistal   526   Degistal   526   Degistal   526   Degistal   526   Degista	STANDARD AND POOR'S  FRANCE  COMMING TO WAR 25 252 00 242 26   354.60 322.98   354.80 4.40 CAC COMMING TO USE 25 26 28 26 26 27 354.01 577 578.01 577.60 (75) 492.94 (26/2)
Bengret Ges. D. Law.   147,000     Donner S.A	Industrials   412.62 409.45 400.21 398.88   412.62 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.92 411.25 371.2
Closet CSR - 9640 +90 ESI-Applitable - 672 Realed Pris. BSM - 115.70 +04 SWITZERLAND	Financial   79.05 28.70 27.94 27.88   31.87   39.37
Do. AFV   1   3.00   -10   Epsile partent   1.200   -13   Hacklef   139.5   -5.5   Environment   129.5   -15   E	Amer Mil. Value 354.34 352.50 348.92 348.53 382.64 397.03 29.31 PRELAND  100/10/890 (9/12/72) SEQ Dressi (4/1/88 1647.36 1649.94 1642.40 1644.36 1893.10 (22/1) 1582.61 (25)  100/10/890 (9/12/72) SEQ Dressi (4/1/88 1647.36 1649.94 1642.40 1644.36 1893.10 (22/1) 1582.61 (25)
Cockert   Cocker	May 4 Apr 27 Apr 20 year ago (approx.) Have 1045/49 3202.55 31512.14 3090.25 3095.51 38712.88 (411) 3002.07 (2)40
Fabrique Nat.   200   47	May 9 May 2 Apr 25 year ago (approx.) 395.46 3819 92 3756.15 3704.80 4284.66 6920 3333.92 546  May 9 May 2 Apr 25 year ago (approx.) 396.24 3819 92 3756.15 3704.80 4284.66 6920 3333.92 546
Column   C	5 4 P Inst. 197 3.07 14.95 14.72 12.82 NETHEFREANDS 2574 2548 2538 2548 267.0 2670 2670 2670 2670 2670 2670 2670 267
Comparison   Com	Stocks Closing Change † Volume Millions (56 SE (2/1/83) 953.21 947.25 829.67 883.21 (14/5) 761.67 (2/1/2) May 14 May 11 May 10 PRELIPPRIES (2/1/83) 977.88 975.41 975.22 986.44 1167.70 (2/1/8) 975.57 (20/8)
Do. AFY   3,490   130	Famile Mare 4,114,400 37% - % Men York 22,410 256,033 10,701 SINGAPORE Philip Months 3,705,400 44% + % American 14,026 13,409 12,701 SINGAPORE 214/759 426,24 423,64 420,90 6d 443,34 6563 401,34 50540
Reprint   170	Art. Expres 2.118.600 29% + 1 Falls 529 333 611 55 Interior 209/76 290.00 202.
Softway   12,500   -25   Legenad   4,433   441   Parties (gamman   1,256   147   1	Varity Corp. 1,965,000 3-1 + 1-1 New Lord 34 34 52 ST-New Lord New
Do. AFY   0.4 A10   -0.0	#ffarsdrides Co. 0,2/57) 123.6 1199.8 1195.3 1317.88 (12/1) 1127.20 (2/6)  CANADA  TORONTO May May May May 1990 1990 777.9 782.1 773.4 761.0 787.2 (13/0) 757.6 (27/5)
0FP 1899 471 Springer Vig Rg 778 4 Aler (Free 155.00 1-5 Do. (Free 1273 -15	14 11 10 9 HIGH LOW Weighted Prize GON/Mici 8275.02 8417.08 8426.41 8622.67 12495.34 (Up/2) 6275.02 (445)  Netack & Minerals 3122.00 3138.00 3084.80 3032.50 3464.10 4009.47 (3/1) 3334.20 (1/5) Banjink SET DON/FS 877.71 878.74 875.13 918.67 (5/1) 780.39 (7/2)
Nay 14   Nr + or =   Parts Resonance   494.6   24   Verta   417   2   Ora Resonance   1849   418   427.8   22   Ora Resonance   1849   427.8   22   Ora Resonance   1849   40.00   40.	MORTREAL Portrolle 1821.48 1832.08 1806.57 1792.72 2060.90 G/LD 1720.25 (27/4) WORLD M.S. Capital lati. CL/1/70 (a) 510.6 498.8 498.6 571.0 (4/1) 460.3 Cl/40  Base values of all indiges are 100 except NYSE All Common—50; Standard and Poor's—10; and
Relice Hidgs   1805   1310   1337	Base values of all Indices are 100 except NYSE All Common—50: Standard and Poor's—10: and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/4 83.4 Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (b) Unavailable.
Each Astacle   1238   Pretabell Stoom   1200   12	CANADA
	CANADA  Brief Start Has Low Close Char State Start High Low Close Charg States Stock High Low Close Charg
Sophus Beresiden 1,180 140 Salet Louis 1,540 12 Bases Boor's 4,850 1-38 Basy 24 Pts. + ar - Boy 14 Bases 1 Bases Boor's 1,550 1-40 Bases Boor Boor Boor Boor Boor Boor Boor Boo	TORONTO  Closing prices May 14    4885 Con TVX   861 <sub>8</sub>   51 <sub>4</sub>   51 <sub>4</sub>   1 <sub>9</sub>   1500 Laur Gr B   571 <sub>4</sub>   71 <sub>4</sub>   71 <sub>9</sub>   1   1   1   1   1   1   1   1   1
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Spin	ASSET Alberts   State   Stat
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Michael Pref Pres   1/2   1/	3400 BCC Seque-A 5414 1-44 1-45 1-45 1-45 1-45 1-45 1-45
FRANCE Regard Margill 1994 Margill Kolor Margill 1994 Mar	113347 Bt. North BB\$\(\frac{1}{2}\) 28\(\frac{1}{2}\) 38\(\frac{1}{2}\) 38\(\frac{1}\) 38\(\frac{1}{2}\) 38\(\frac{1}\) 38\(\frac{1}\) 38\
Fig.   1.0	2000 Bramation 144 443 1446 1500 France or 1895 194 194 195 1800 France or 1895 194 194 195 195 195 195 195 195 195 195 195 195
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Diff of the believe state of the state of th	2001 0 Papers \$124, 125, 125, 125, 125, 125, 125, 125, 125
JAPAN  JAPAN  Hey 1A Yes + sr - Hey 1A Yes + sr - Hey 1A Yes + er - Hey 1A Yes + er - Hey 1A Areis + er -	## 2000 C Nor West ## 15   18   18   18   18   18   18   18
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Ashif Corp.   1,000	
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	TOKYO - Most Active Stocks Monday May 14 1990
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FINANCIAL TIMES TUESDAY MAY 15 1990 NYSE COMPOSITE PRICES | Table | Property | Page | Comparison | Property | Property | Comparison | Property | Proper 231 301-304 and 1.30 4.24 1989 11. 201-1. 20 

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# **Euphoric mood** pushes Dow to record highs

asoline-powered cars on the

Among the big three US auto makers, General Motors rose

\$1/2 to \$47%, Chrysler added \$1/2

to \$17 and Ford gained \$1% to

Mylan Laboratories lost \$1 % to \$22% after an analyst lowered its estimate of the compa-

ny's earnings for 1991 to \$1.30 a share from \$1.33 a share, citing

a drop in April sales of the company's Eldepryl drug. Mylan's 1990 earnings were 72

USX rose \$1 to \$34% on reports that an analyst had valued the company at about

Prime Motor Inns jumped

\$1% to \$12 after Manor Care said it was interested in bid-ding for two of the company's

Partners for about \$200m in

MCI Communications added \$1% to \$40% in active trading. Sun Microsystems gained \$1% to \$30% and Seagate Technol-ogy rose \$% to \$14. Atlantic Richfield gained \$2% to \$118% after an analyst repeated a "buy" rating.

TORONTO stocks dropped back in late trading to close lower, ending the market's eight-day winning streak.

Toronto's 300 Composite Index fell 8.48 points to 3526.50, after showing a gain around mid-day of more than 22 points. Declines narrowly best

points. Declines narrowly beat out advances 312 to 300.

Consumer products was the best performing sector, rising 1.1 per cent on index, largely on the strength of Seagrams, which rose 2% to 96%.

Gold stocks also were lower, dropping 1.2 per cent on index, as the price of spot gold fell 30

cents to \$368.55 an ounce in light New York dealings.

cents a share.

### Wall Street

EUPHORIA from Friday's stock market rally coupled with wide-spread belief that interest rates had peaked helped push the Dow Jones Industrial Average to a record high in spite of profit-taking late in the day, writes Karen Zagor in New York.

The Dow Jones Industrial Average closed up 19.95 points at 2,821.53, well above its previous high of 2,810.15 on January 2. On Friday, the Dow added 63.07 points to close at 2,801.58. Volume on the New York Stock Exchange was heavy, with 227.7m shares changing

with 227.7m shares changing hands. On the big board, advancing issues outpaced those declining by 1061 to 527. The improvement in stock prices was broadly based, with all of the Dow Jones averages

posting gains.

Among other market indices, the Standard & Poor's 500

jumped 3.20 points to 356.31, the New York Stock Exchange Composite added 2.18 points to 194.42 and the American Exchange Composite rose 2.49 points to 354.99. The rally was attributed partly to a rush into stocks by

institutional investors who believe that interest rates have

now peaked.

In the bond market, interest rates continued to fall yesterday as prices rose. In late trading, the Treasury's benchmark 30-year bond was up if points at 1018, to yield 8.56 per cent.

A number of blue chip issues moved higher at yesterday in active trading.

Philip Morris gained \$\%\$ to \$44\%, Dupont improved \$1\% to \$40\%, General Electric rose \$\%\$ to \$68%. IBM was unchanged

Several technology issue also surged yesterday. Digital Equipment climbed \$1% to \$90 %. Compaq Computer gained \$1% to \$111% and Hew-lett-Packard advanced \$1% to

W.R. Grace gained \$% to \$28%. A catalytic converter made by the company's Camet unit is being tested by environ-mental officials in California. The convertor could help keep

# International gains discounted in continental melée

THERE was a distinct lack of follow-through on the Conti-nent after gains on Wall Street and in Tokyo, Frankfurt's fall quenched Zurich's rally while selected stocks pulled Amsterdam and Stockholm higher, urites Our Markets Staff. FRANKFURT registered its

disquiet at a Lower Saxony election result which reversed the apparent trend after good results for the Christian Democrats in the East German elec-

The Bundesbank's average bond yield rose 7 basis points to 8.86 per cent, and equities showed their fifth consecutive decline, the DAX index falling decline, the DAX index falling 14.70 to 1,860.33 after a some-what steeper 10.51 drop to 786.79 in the FAZ at midses-sion. Volume fell from DM7.2bn to DM6.3bn. However, last Friday's blood-letting in the senior blue chips

was effectively plugged. Deut-sche Bank managed to hold firm at DM789.50, and trade in DM1.1bn as traders took advan-tage of technical possibilities after its rights issue, trading on new shares and old. Other features included

Metallgesellschaft, to be promoted with Preussag into the DAX index in place of Nixdorf and Feldmühle Nobel later this year, but down DM16 yesterday to to DM635. Last Friday's 10 per cent rise in first half profits was disappointing, said anlaysts, particularly after 1968-89 results at the lower end of their expectations.

Elsewhere, Linotype fell DM59 to DM911. News that it was bidding for a Siemens unit, clearly, was much less

Apr 1990 May

West Cermany

DAX Index

1950

1900

exciting than the earlier rumour that Siemens was going to bid for Linotype itself. ZURICH lost its glitter as it worried about Frankfurt's per-formance, renewed its interest rate fears, and saw profit-tak-ing after last week's strong rally which left the Crédit Sui-

sse index 6.6 lower at 620.8.
STOCKHOLM started the
week in confident mood after last week's strength. Domestic institutions continued to buy actively and brokers expected Sweden's army of private investors to follow suit. Strong gains in Asea, on the back of analysts' recommendations, also pushed the market higher. Asea free B shares added SEr35 to SEr785. The weighted Affarsvärlden general index rose 10.4 to 1224.0 in turnover

Ericsson continued to dominate activity, with SKr60m worth of shares traded, but the free B's were unchanged at SKr1.080. The home appliance group Electrolux, which has issued profits warnings to analysis. lysts, rose SKr4 to SKr263.

PARIS ended softer in generally featureless trading but came off the day's lows on selective bargain-hunting and Wall Street's gains. The Cac 40 index hit a low of 2,083.30 and a high of 2,098.99 before closing at 2,090.14, down 1.71. Turnover was around FFr2bn, below last week's levels of between

FFr2.5bn and FFr8bn.
Among featured stocks, Suez eased FFr1.50 to FFr476.40 before today's announcement of 1989 results - which ansof 1989 results — which analysts expect to show a rise of at least 50 per cent, due to improved earnings from its Belgian subsidiary Générale de Belgique. Lafarge, the builder which has lagged behind the market, bucked the trend to close upffr8.50 at FFr446, with 1904.654 shures traded. BSN rose 201,654 shares traded BSN rose FFT6 to FFT663 on bargain-hunting. Hachette, which fell heavily last week, slipped fur-ther to close FFT6.50 lower at

AMSTERDAM was cheered by news that Philips' chairman Mr Cor van der Klugt would retire on July 1, one year early, to be replaced by Mr Jan Tim-mer, the man credited with **Philips** Share price (Guilders)

turning around the company's consumer electronics division. The stock closed FL 1.90 higher at Fl 33.30.

Gains on Wall Street and in the UK boosted other multina-tionals. Unilever rose F1 4.70 following its first quarter fig-ures while Royal Dutch, due to announce its first quarter results on Thursday, was Fl 3.30 higher at Fl 142.80. The insurance company, Daf, the truckmaker, remained under a cloud and eased 40 cents to

FI 28.90. The CBS Tendency index rose 1.2 to 117.8. MILAN finished higher in active trading before the May

active trading before the May trading account deadline on Wednesday. Monday's expiration of monthly stock options contracts concluded smoothly, with only about 35 per cent of all options exercised. As a result, subsequent sales of the options' underlying shares were taken up easily by the market. The Comit index rose 2.93 to 703.92. 2.93 to 703.92.

MADRID was encouraged by further signs that inflation was slowing at last. The consumer price index rose 0.2 per cent in April, giving a year-on-year rate of 7.0 per cent, unchanged from March. The index closed 3.48 points higher at 285.69. Brokers reported foreign buy-ing of banking stocks, which ended mostly higher. OSLO closed near its all-time

high, encouraged by gains on overseas markets. The all-share index rose 4.95 to 647.17, below the record of 649.73 se in March. Norsk Hydro rose NKr3 to NKr207.5. The shipping index was up 6.43 to

# hotel franchises, Howard Johnson and Ramada. Prime has already agreed in principle to sell a 65 per cent interest in the systems to Blackstone Capital

# Stone Container added \$1% to \$18% on reports that the Pritzker family of Chicago holds a stake of more than 3 per cent in the company. In over-the-counter trading, MCI Communications added \$1% to \$40% in active trading. Nikkei tops 32,000 for the first time in two months

## Tokyo

BUILDING on last week's suc-cess, the market recorded another strong gain yesterday with the Nikkei average topping 32,000 for the first time in almost two months, writes Mickiyo Nakamoto in Tokyo. The yen's sharp rise against the dollar, continuing strength in the bond market and gains in overseas markets boosted sentiment. The Nikkel, having

sentiment. The Nikkei, having risen through 31,000 on Friday, closed 530.51 higher at 32,042.65, only slightly below the day's high of 32,071.08.

Share prices maintained a strong uptrend through the day with the 31,541.95 intraday low marked at the opening. Advances outnumbered declines by 761 to 225 with 137 unchanged. Turnovar rose unchanged. Turnover rose from 600m shares to 800m, bouyant for a Monday, the broadly-based Topix index rose 41.35 to 2.390.32 and, in London, the ISE/Nikkei 50 fell 3.57 to 1,795.42.

est rates would come down, or at least that they would not rise in the near future, have provided investors with a great excuse to step up their activity in equities. The yen's recent rise has also seemed remark-able in the wake of its extended weakness and has led to a resurgence of confidence in the Impages economy.

to a resurgence of confidence in the Japanese economy.

However, there is contrary opinion. "It's a bear market raily," said one analyst, who pointed out that the problems which beset the market at the beginning of the year have not been resolved. The yen and the bond market may have gained strongly recently, but this has been relative to the aluggishness which has characterised both in 1990.

A close look at the sources of

A close look at the sources of buying yesterday might give the more cautious investor cause for concern. Along with arbitrage buying there was considerable buying by brokers on their own account. Institutional investors, on the other hand, have stepped up their selling. Their porfolios

purposes at the end of March as stocks have exceeded those levels, fund managers have

levels, fund managers have been selling them to bring profits to book, even though they may have bought the stocks at higher prices.

Meanwhile, yesterday again favoured companies which depend on domestic demand. Those which are sensitive to interest rates, and thus led the market down, were particularly favoured. Among these were benks, such as Industrial Bank of Japan, which gained Y190 to Y4,370 and Fuji Bank, which rose Y100 to Y2,880.

Y190 to Y4,370 and Fuji Bank, which rose Y100 to Y2,880. Nomura Securities advanced Y100 to Y2,280. Big steels and heavy industrials kept their shine. Nippon Steel led the most active issues in 46.2m shares, adding Y18 to Y629. Mitsubishi Heavy Industries was third in volume with 36.2m shares and climbed Y31 to Y1,010. A newspaper report that MHI would once again lead a Japanese group with the lead a Japanese group with the largest share of work on Bos-ing's jet, the B777, confirmed

Mitsubishi's strength in the erospace field.
Osaka maintained its firm uptrend, the OSE average ris-ing 470.69 to 34,517.76 in vol-ume of 76.1m shares, up from

## Roundup

PERFORMANCE in the Pacific

PERFORMANCE in the Pacific Basin yesterday was divided most obviously between markets susceptible to a strong Wall Street and a responsive Japan, and those with problems of their own.

SYDNEY scored its largest one-day rise in more than two years, and broke through the 1,500 level with the All Ordinaries index 32.6, or 2.2 per cent higher at 1,517.2.

Turnover was heavy at 103m

cent higher at 1,517.2. Turnover was heavy at 103m shares and A\$355m, up from 108m and A\$268m on Friday; it was boosted generally by buyers concentrating on leading blue chips and, in particular, bytrade of 17.4m shares worth A\$110.3m on Neitional Australia Bank, where Adsteam was believed to be selling large believed to be selling large

blocks of shares to Japanese

NEW ZEALAND presented a similar picture. The Barclays index rose 35.60 to 1,748.62 and turnover rose from 10.4m shares and NZ\$14.8m to 12.8m and NZ\$21.5m. Dually-listed shares were lifted by a fall in the New Zealand dollar to 75 Australian cents, from 76 late last week

last week.
SEOUL, however, ignored government measures to boost the economy and the stock market, and the composite index dropped 14.68, or 2 per cent to 734.42. This is its fifth successive fall, bringing it down 7 per cent since last Wednesday and 19 per cent since the beginning of this year.

Volume was thin at 8m shares and 132bn won. Fears of unrest were prevalent, in anticipation of the tenth annivereary this Friday of the revolt against the military in the southwestern city of Kwangiu, which cost some 200 lives in

TAIWAN also dropped for

the fifth consecutive session, on weakness in the important financial sector. The weighted index shed 13.84 to 8,361.18, its lowest closing level since December 12. Volume was 776m shares and NT363bn, the latter its lowest this year, against 765m and NT\$66bn on

Saturday. Elsewhere, HONG KONG saw Wall Street-inspired gains eroded by mixed political news from China, and the Hang Seng index closed 15.98 higher at 2,976.44; SINGAPORE faced afternoon profit-taking and the Straits Times industrial index closed only 3.80 higher at 1,536.07; and JAKARTA fell 12,70 to 630.61.

## SOUTH AFRICA

GOLD shares were missed after Friday's losses. The rest of the market also lacked direction. The all-gold index rose 4 to 1,786 while the overall index gained 8 to 3,199. Vaal Reefs put on R4 to R338 and De era rose R1.15 to R98.85.

# Hopes for lower rates lift equities

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Austria	-0.11	-9.00	+72.55	+37.43	+36.44	+42
Belgium	+0.60	-0.27	-3.35	-6,64	-5.70	-1.0
Jenmark	+0.28	-2.17	+ 16.54	~2.03	-0.89	+3.
Inland	+0.10	-3.54	-18.12	-3.24	-3.48	+0.6
rance	-0.57	-0.47	+ 22.78	+2.83	+3.49	+7.5
N. Germany	-0.86	-1.16	+38.27	+6.76	+6.22	+10.
reland	+ 0.19	-7.36	+5.24	-6.36	-5.17	-1,
taly	-0.11	-0.67	+11.95	-0.45	+0.62	+43
vetherlands	-0.23	-2.50	+ 1.39	-6.41	-6.42	-2
Vorway	+6.02	+4.30	+25,04	+ 18.23	+17.19	+22
Spain	+2.55	+7.59	-8.47	-6.61	-4.65	-0.
weden	+ 5.95	+19.23	+ 19,54	+ 1.87	+0.82	+5.
witzerland	+5.69	+4.38	+15.58	-1.08	+4.04	+8.
1K	+0.64	-2.30	+0.56	-10.51	-10.51	-6J
EUROPE	+0.54	-0.79	+10.71	-3.48	2.86	+1.
Australia	+1.81	-0.70	+0.79	-9.03	-16.89	-12
long Kong	+0.91	-0.58	-11.73	+4.87	+0.76	+6.0
lapan ,	+4.03	+8.16	-11.60	-19.81	-27.56	-24.
Valaysia	+ 5.54	-0.41	+20.64	4.09	-7.87	-31
Now Zonland	-0.18	-0.02	-6.61	-11.37	-18.10	-14.6
Singapore	+5.31	+269	+18.37	+8.09	+848	+17.0
anada	+4.51	-0.70	+0.10	-8.96	-14.18	-10.5
JSA	+3.98	+210	+ 13.68	-0.61	-4.69	-0.6
viexico	+4.10	+11.24	+ 186.78	+42.84	+ 30.54	+38.
South Africa	+263	+2.13	+31.22	+8.00	-7.06	-80.0
WORLD WIDEX	+3.05	+3.22	+1.93	-9.26	214,00	-10J

### By Antonia Sharpe ELIEF that the US quarterly refunding auction was successful

and a growing consensus that the Federal Reserve was unlikely to raise interest rates lifted Wall Street last week. The yen's continued strength and stable bond prices bolstered invester confidence in the Japanese equity market.
The FT-Actuaries World Indices showed rises of 3.96 per cent and 4.03 per cent in local currency terms on Wall Street and Tokyo, which contributed substantially to the 3.05 per cent gain in the World index.
In Europe, Norway produced
the largest weekly rise, of 6.02
per cent, thanks to higher oil prices, signs that shipping rates had bottomed out and

says Mr Roddy Bridge at UBS Phillips and Drew. Sweden advanced 5.95 per cent on the week, fuelled by excellent first quarter results from Ericsson and news that it had broken into the West German telecommunications mar-ket. But Mr Bridge fears that

be in the price. Profit warnings from Electrolux, poor economic fundamentals and any bad news from current wage talks could sour market sentiment. A stronger Swiss franc and expectations of lower domestic interest rates pushed Zurich 5.69 per cent higher as interna-

tional investors aggressively bought banking, insurance and chemical stocks. Mr Mark Edminston at Goldman Sachs views the rally with some scep-ticism, since it is anticipating interest rate improvements unlikely before the third or fourth quarters. Furthermore, the strong franc will hurt earnings momentum at the major. Swiss multinationals.

Singapore and Malaysia outsingapore and Malaysia out-performed the rest of Asia, ris-ing 5.31 and 5.54 per cent respectively, inspired by gains in Japan and on Wall Street. Mr Nick Peacock at Citicorp Scringeour Vickers International expects caution to dominate both markets for the next week. But the outlook for Singapore and Malaysia remain favourable given the strong economic fundamentals, Mr Peacock Writes.

## VIEWPOINI

The Commerzbank report on German business and finance

## Does German unification mean higher inflation?

The West German Government's plan for a monetary union with East Germany has triggered fears, above all in other countries, about the Dmark's internal and external stability. As a result, German bond yields soared, even rising briefly to over 9%. Are such fears justified?

difficult to merge the East German economy with West Germany's. For one thing, no historical precedent exists for the required switch from a command to a market econorny. For another, East Germans' standard of living, in terms of both the goods available to them and the quality of the environment, is substantially lower than that of West

## Possible solutions

ers. And it is not really feasible in East Germany either, which must restructure its entire economy along free-market lines - a daunting task - before it can hope to increase output significantly. Consequently, this approach alone cannot solve the problem, at least not in the short run.

Undoubtedly, it will be very

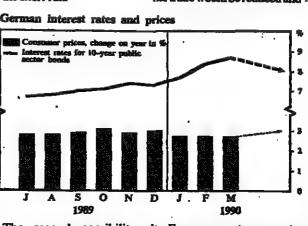
Although public debate focuses on monetary union, the fundamental problem can only be solved in the real economy: how can the supply of goods in East Germany be improved in terms of both quality and quantity so as to avoid economic and political instability?

Basically, there are three ways of doing this, and each would have different economic consequences for Germany and Europe. The best way would be to increase output. But at present this is difficult in West Germany given its very high capacity utilization level and its shortage of skilled work-

German interest rates and prices Interest rates for 10-year public

would be to reduce domestic demand in West Germany by squeezing private and government consumption. However, cuts in capital spending would be unwise as they would mean less production capacity in the future, rendering the first approach unworkable in the medium term as well. Private consumption would have to be curbed through tax increases, which - even if only temporary -would be unpopular to say the least, coming as they would in the wake of a major tax reform.

Finally, the third method would be to reduce demand for German exports and, at the same time, rely to a greater extent on imports to meet domestic demand. This approach has much to recommend it: the structural imbalance in West Germany's external trade would be reduced and.



. The second possibility its European partners would reap direct economic benefits. If higher inflation is ruled out as a means of achieving a reorientation within the West German economy - as it obviously must be - then this shift can only be brought about by a tal markets.

happenautomatically if the current fears that German monetary union will fuel inflation. prove to be groundless and East Germany is able to offer attractive investment opportunities. Consequently, nothing should be done at the European level which would prevent the D-mark from appreciating. However, there is no need for the process of European monetary integration to come to a standstill. Indeed, important problems have to be addressed before the second stage of the Delors Plan can be Initially, though, the intro-

real-term appreciation of the

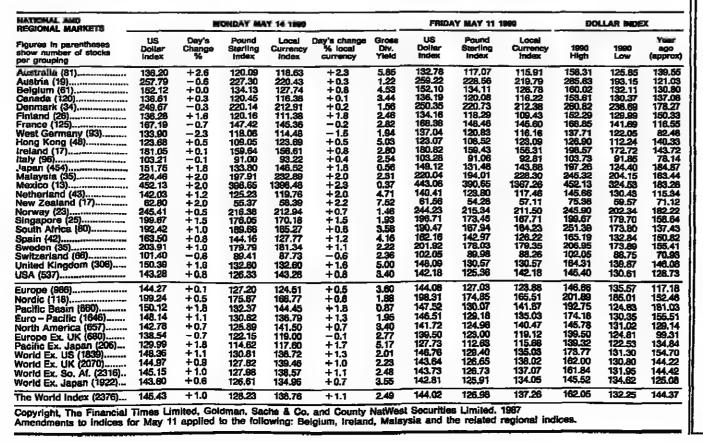
D-mark. However, this should

duction of the West German currency in East Germany will be little more than a technical move which, in the short run, may make it harder for the Burrdesbank to steer a stabilityoriented course. In itself, the switch from the Ost-mark to the D-mark will not necessarily be a major source of inflationary pressure. The inflation rate in the years ahead will be determined primarily by how well the economy succeeds in increasing the supply of goods in East Germany and by what happens on the wage front. At present, there is no reason to assume that inflation will be notably higher in the future than it has been in recent years; seen in this light, the sharp rise in interest rates surely represents an overreaction on the part of the capi-

## COMMERZBANK SE German knowhow in global finance

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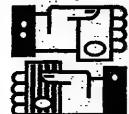
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FT-ACTUARIES WORLD INDICES

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The 1990s will see the competition pace quicken on almost every front, as a new relationship evolves

between banks and insurance societies. Forces for change acting on the European industry may make the situation even more fluid, writes Patrick Cockburn

# Change is the only certainty

4,600 insurance companies in the European Community are the European Community are under present from two directions. The relationship between the insurance industry and other financial services is changing. At the same time, banks and building societies are becoming key distributors of insurance products.

Insurance companies, with the partial exception of the UK and Switzerland, traditionally confined themselves to national

prove extraordinarily difficult to penetrate and banks will find it far more complex to sell insurance than they imagine.

But over the past two years expectations of change have

become strong enough to create their own momentum. Even those content with predominames within their own national market suspect that they need to expand abroad, if only to

defend their present position.

"We have to be hig in Europe to reign our present Distiton in the 'IK where we cann '70 per cent of our presidents," says Mr. Colin Huke, director of the European division of Sun Alliance, the largest UK composite.
Looking at the future of its
insurance industry from a
alightly ironder perspective, the
French Government concluded. two years ago that it had to deregulate and expand to com-pete successfully for savings with bunks and other financial

markets. But the shift towards a single European market has started a single European market has started a single European market has started a single in acquisitions. In the long term it is become changing site shape of the indeason. In the long term it is become in all and the long term it is become in all and the long term it is become in all and the long term it is become in almost conventional window.

The single European market in almost conventional window. It is a quickening of corporate competition on almost every front. Similar and medium dead competition on almost every front. Similar and medium dead competition on almost every front. Similar and medium dead competition on almost every front. Similar and medium dead competition on almost every front. Similar and medium dead competition on almost every front. Similar and medium dead competition on almost every front. On this reading the dominant panetrate and banks will find it increase of the dominant panetrate and banks will find it increase in European insurance for more competition on almost every front. On this reading the dominant within the next 10 years would include Allians in West Germany, UAP and Ara-Midi in many, UAP and Aza-Midi in France, Productial and Sm All-since in the UK, Generali in Italy and Zurich Insurance and Win-



anism by which it will be achieved is more illusive. Clearly the irregular pattern of deregulation, of which 1992 is part, will lead to a greater increase in the supply of insurance than in demand.

Competition is bound to intensify but winners and losers may be slow to emerge. This is partly because the market for both life and non-life insurance is expanding fast. In the manure markets of northern Europe life business has been growing two or three times as fast as GDP. Smaller companies may lose market share but still remain

distribution, should be among the first casualties in any con-centration of the industry. But the boom in mortgage endowment in 1988 and personal pen-sions in 1989 made the minnows of the insurance industry less vulnerable than appeared likely in the aftermath of the Finan-cial Services Act.

A similar increase in overall

of smaller companies across Europe. Even in a mature man ket like West Germany real growth rates for life business France, Italy, Spain, Portugal and Greece the annual growth in life business may continue to exceed 20 per cent.

Demographics and economic trends both favour insurance. As Europeans live longer, a higher proportion are looking for insurance. They are also richer, so there are more houses and cars of higher value looking for insurance. In the UK, for instance, the number of households with central heating increased from 27 per cent in increased from 87 per cent in 1972 to 75 per cent today.

But in the longer term smaller companies are bound to be aqueezed. In the UK, for

Labour Government more hos-tile to private pensions in 1982, without any compensating busi-ness from a resurgence in the housing market, would put intense pressure on some insurintense pressure on some insur-ers. Almost inevitably, they

would look for larger partners.

That crunch has yet to come.

For the moment the cost of buying an insurance company is high almost anywhere in Europe. According to Mr Tony Brand, chief executive of Commercial Union, the difficulty in getting value for money has caused us to turn down several high-priced acquisitions and to concentrate instead on the IN THIS SURVEY

to the wall

organic growth of our existing widespread network. Should suitable companies become available at an acceptable price. however, we should not hesitate

to acquire them." The problem for US and UK companies looking for a Europeam strategy, says Mr Michael Butt, chief executive of Eagle Star, is that "continental companies are prepared to see a in a way that American and British companies are not.

They may be well out of it.
The forces for change acting on
the European insurance industry in every market are suffisituation extremely fluid - and likely to become more so. This makes it difficult to devise an makes it difficult to devise an effective strategy based on acquisitions, mergers or alliances. Across-border efficiencies of scale are of dubious value. Life and personal lines (motor and household) insurance have to be handled locally and commercial companies looking for a range of international carriers can find them through brokers. The problem is that the publicity aurrounding 1992 has

licity surrounding 1992 has made the internationalisation of European insurance à la mode two or three years before the changes become a reality. This means that fear of being left behind is forcing companies to take decisions and spend money earlier than they would like and before there is sufficient infor-

mation about the future shape of the industry.

Behind the fear of being left behind lies a concern about dis-tribution networks being tribution networks being snapped up by competitors. Speaking of the UK, Mr Chris Pountain of Morgan Stanley says: "The key development in the life assurance industry is that the neat, historic distinctions between manufacturer (the life companies) and distributor are breaking down. A process is in train which will culminate in the market being dominated by groups which can boast control of distribution, capital and expertise in 'manu-

facturing life assurance."

In the new balance of power between insurance companies, banks and building societies, the insurers may be in a week, position because their expertise can be replicated in the way that distribution outlets cannot. As a result, there has been a rush to from links as the num-

the ties may prove imperma-nent. In the aftermath of the Financial Services Act, says Mr scramble is to do too much." The relative effectiveness of dif-ferent methods of distribution is only gradually becoming clear.
But in the new relationship

between banks and insurance societies, the most potent threat to traditional life assurance comes from purpose built struc-tures combining the strengths of banks and insurance companies. Mr Michael Hepher, chairman of Lloyds Abbey Life, says his salesmen with access to the so-called warm customer base of Lloyds Bank are four times as productive as those without.

For non-life business the 1990s also promises more intense com-petition. An unprecedented series of disasters which hit the US property/casualty market in 1969 (Hurricane Hugo, San Fran-cisco earthquake and the Philips cisco earthquake and the Philips Petroleum petrochemical plant explosion) did not take enough capacity out of the market to speed up the end of the present down-cycle. Similarly in Britain it is still too early to see the impact of the storms in January and Releaver on treatiums.

and February on premiums. But in the UK, as in the rest But in the UK, as in the rest of Europe, the capacity of the market and intensified competition must mean prolonged pressure on prices. Personal lines will be affected by direct sales by telephone and mail. Large commercial risks are already insured on an international basis, but margins may be squeezed as brokers offer medi-um-sized companies a wider choice of carriers.

Underwriting losses by non-life companies in the late 1980s were more than compensated for by the sharp increase in asset values over the decade. In both the US and the UK the performance of equity and property markets was in sharp contrast to the depression in asset values in the 1970s.

Overall, the belief that the insurance industry is entering a decade of fundamental and irre-

versible change is surely cor-rect. Scapticism about the radi-calism of these developments stems largely from the way in which perceptions of this change - thanks to the publicchange — thanks to the publicity attendant on the European
single market — have preceded
reality. Faced with the uncartainties ahead, insurance companies may look back on the
certainties of the 1980s as a sta-

# When the ABI was founded 5 years ago, we were already looking forward to where we'd all be today.

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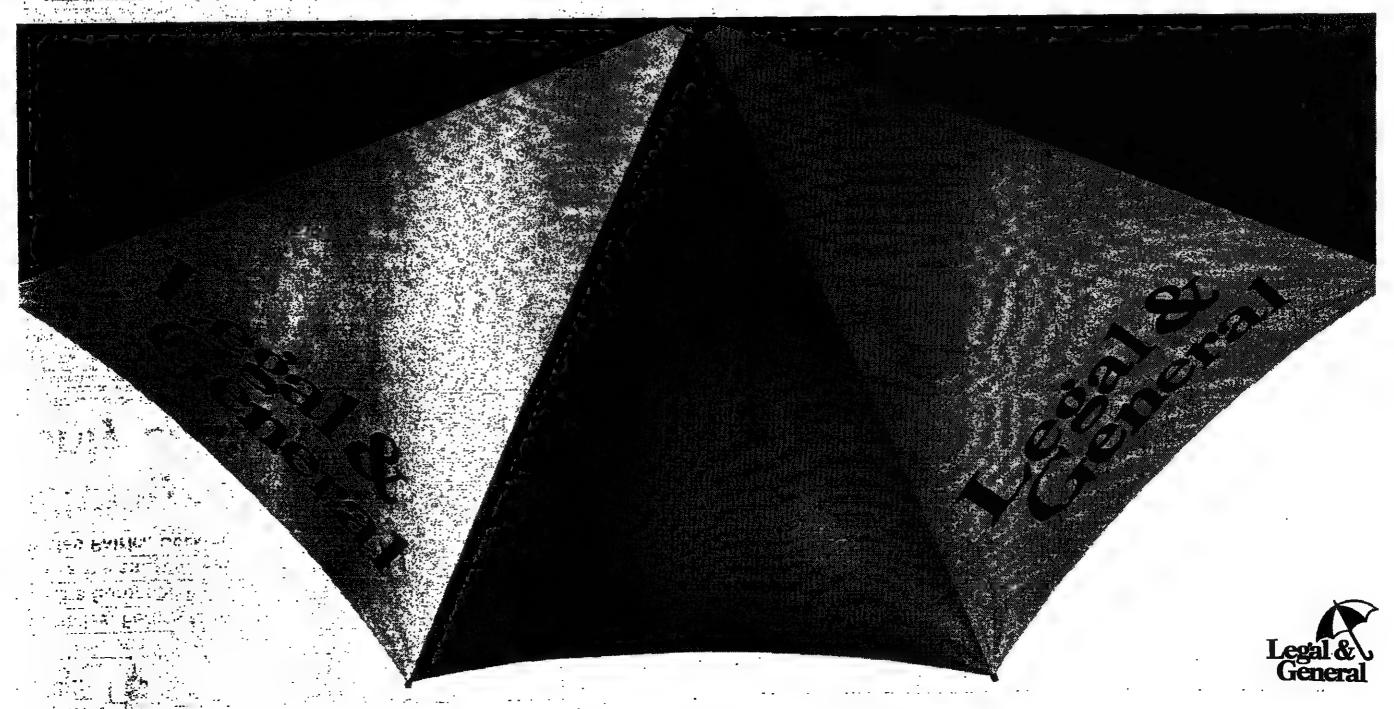
system and built a strong brand image in quality earnings stream for many years to More than a decade ago, we anticipated the consumer market. Those moves have come.

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Patrick Cockburn on the likely effect of the single European market

# The less fit may go to the wall

"I AM not a predator," Mr Jean Peyrelevade, chairman of UAP, the largest French insurer, told journalists soon after flying into London last February and at intervals later in the day he relterated his non-predatory intentions to a sceptical audience of institutional

The interest in Mr Peyrelavade's plans is not surprising. The European insurance market is changing. National companies are looking to expand by acquisition, merger or alliance. Insurers are looking for new methods of distribution through banks and building societies.

societies.

But while there is agreement that the industry is changing there is very little consensus about the shape of European insurance is likely to take by the end of the decade. Will the top 10 companies such as Allianz of West Germany, Generali of Italy, Zurich and Winterthur of Switzerland, UAP and Axa-Midl of France and Prudential and Sun Alliance of the UK establish dominance over the market?

If UAP is the exempler, then there will be a rapid concentration among the European Community's 4,600 insurance companies. Since 1986 it has taken a 25 per cent stake in Sun Life, the UK life company, 34 per cent of Groupe Victoire in France and 31 per cent of Royal Belge, the second largest Belgian insurer. Among European companies it has been the most single-minded in its pursuit of European market share.

Yet the extent of real change in European insurance still provokes scepticism among some insurers. These doubts centre on the degree to which the European Commission will really succeed in introducing a single market in insurance.

aingle market in insurance.

Regulatory obstacles will continue past 1992 with West Germany, the largest market in the EC. still unanthusiastic about reducing state direction of the industry.

Furthermore, some 70 per cent of premiums paid by West Europeans are for life and personal insurance such as motor and household. These lines are traditionally sold through a network of agents. In West Germany alone some 43,000 seems work for Alianz. Without such distribution in place, cross-border selling of this type of insurance is almost impossible.

Increased competition in the 1990s is more likely for medium-scale commercial risks, particularly as brokers offer clients competing products and prices from other parts of the

But although it is easy anough to prove that a single market in insurance is unlikely in the 1990s, scapticism can be carried too far. The forces for change are extremely power-

In the first place, the European insurance market is worth some £1600m a year in terms of set premium income. Therefore the market does not have to change very much to produce large revenues for individual companies. In other words, it is not necessary to suggest that the cartel-like organisation of German life companies will entirely break

but valuable niches may open up in the German life market. A further key impulse for change in European insurance is not only that the market is large but that it is growing fast, above all in life insurance. In the mature markets of UK, Netherlands and West Germany life business is growing two or three times as fast as GDP. In the less developed Mediterranean markets of

Italy, Spain, Portugal and Greece the increase is 10 thres

Efficiencies of scale may be limited or even non-existent but some major European insurers — notably in France — have evidently decided this is the moment to go for size and to pay high prices for doing so. The collapse of Axamidis hid for the Los Angelesbased Farmers Group means that it has \$5.5bp free for other

Axa has already suggested, however, that these purchases are likely to be in the US where prices may be more attractive than in Europe. Within the Community there remains a shortsee of companies to buy and there are still inhibitions about hostile bids. The most obvious targets are UK composits or life companies but, despite stock market expectations at the turn of the year, no such bid actually

Not everybody is so well placed to dilute earnings per share by paying steep prices. UK and US insurers have been able to make only limited purchases, primarily of smaller companies in southern Europe.

Other companies feel inhibited by the fear that they may spend heavily buying a distribution system elsewhere in Europe only to find that the development of alternative methods of distribution has devalued their investment.

Distribution through banks and building societies is a new enough development for its limitations to be uncless. Sunple life and some non-life products can clearly be sold through branch offices of other financial institutions. Equally threatening for life companies are custom-built companies such as that set up by Lloyds Abbey Life, where the life policy salesmen have access to the so-called warm customer; base of Lloyds Bank. According to Lloyds Bank. According to Lloyds Abbey Life, this access to the bank's 6m customers multiplies the effectiveness of its salesforce by a fac-

In non-life business, direct sales via the telephone and mail are also likely to hite into margins and the market share of some traditional suppliers.

These new methods of distribution are still at an early stage but, whatever their limitations, the quickening of competition must inevitably affect prices. This in turn is bound to hit smaller insurance compenies without a secure market niche in which they are less

vulnerable to competition. And so, the shift towards a European insurance industry concentrated in fewer hands is likely to be accompanied by increased price competition, winnowing out the less financially fit.

## LLOYD'S

# The problems in perspective

DOES LLOYD'S face problems because it is an archaic and outmoded institution or because the type of property/casualty insurance in which it specialises is at the bottom of a down-cycle?

Both of these views have their merits. Even with overall capacity of £11.1bn, the small size of the 410 syndicates makes it difficult for them to compete against large commercial insurance companies. "We are too fragmented. We cannot punch our weight," says Mr Murrsy Lawrence, chairman of Lloyd's. There is not much Lloyd's can do about this. Ever since brokers were forced by the Lloyd's Act to sell their managing agencies, all the players in the market have been hampered by lack of scale. Managing agents, members' agents and the syndicates themselves all have difficulty marketing their products and modernising the way they do business.

business.

This may ultimately mean that the 1990s will see the market increasingly dominated by a few big agencies such as Sturgs and Merrett. "I see no more than 100-150 agencies operating in Lloyd's by the end of the 1990s," says Mr David Coleridge, chairman of Sturge, the largest managing agency. That would be less than half the current number.

But even so, it would leave the units

The weakness of the dollar, in which much of the business is denominated, against seeting

which make up Lloyd's smaller than the commercial competition. Slightly larger managing agencies will still not have the money to invest heavily in finding new markets in western or eastern Europe any more than their somewhat smaller predecessors. The real key here remains the relationship between the

brokers and the Lloyd's market.

More immediately, however, the main problem for Lloyd's has less to do with the institutional shortcomings of the market than the low premiums flowing into it since 1987. Every sector has been affected, with the worst impact being felt by aviation underwriters. The dollar, in which much of Lloyd's business is denominated, has been weak

against sterling.

Official figures show the decline in overseas earnings since the peak year of 1986. At that time total overall earnings of UK insurers were £4.85m, of which the commercial companies made £2.53bn, Lloyd's £1.65bn and brokers £711m. By 1988, however, the last year for which figures are available, the total was down to £3.77bn and Lloyd's share to £995m.

The Institute of London Underwriters,

which groups some of the larger commercial companies, says that a series of spectacular disasters last year means that it paid out 2500m more in claims than it took in premiums. Lloyd's has presumably suffered a similar scale

The hope among underwriters is that Hurricane Hugo, the Philips Petroleum petrochemical plant explosion and the UK and continental storms will finally force up rainsurance rates. There are signs of this happening in marine

Underwriters hope that Hurricane Hugo will finally force up reinsurance rates

reinsurance, as a long-term consequence of Piper Alpha, but non-marine reinsurance is still vary depressed.

None of these problems is unique to Lloyd's. But it is the coincidence of very low prices for insurance with the continuing consequences of scandals and asbestos losses which occurred in the early 1980s that has made the

now prices for insurance with the continuing consequences of scandals and asbestos losses which occurred in the early 1980s that has made the market particularly gloomy.

The scandals remain important because they did lasting damage which continues to influence public perception of Lloyd's at home and abroad. When HS Weavers, the largest underwriting agency for US liability insurance in the London market, stopped writing new business at the end of March, there was a sendency in the US to assume that it must be somehow linked to Lloyd's, with which it had no direct connection.

with which it had no direct connection.

Fast acandals have also given added impact to the Outhwaits affair. This originated in 31 contracts from other syndicates which RHM Outhwaite reinsured in 1981-82. Risks insured included so-called long tail policies covering asbestos and pollution claims in the US, all of which produced heavy leases for "numes".

These may never total the £1bn figure sometimes quoted but so far the 1,600 members of the afflicted syndicate have paid out some £85m. By last December they had sued RHM Outhwaite and £1 members' agents who introduced them to him for negligence. Their ultimate sim is either to spread losses through the market by making the underwriters pay up for errors and omissions or, alternatively, to force Lloyd's to provide some solution to the problem.

the market by making the underwriters pay up for errors and omissions or, alternatively, to force Lloyd's to provide some salution to the problem.

This they are unlikely to do. Unlike the PCW affair, Outhwaits does not involve fraud. Even supposing the Council of Lloyd's wanted the market as a whole to bear the losses, it is unlikely that it would get majority support for that option.

Indeed, a problem for Lloyd's is that, despite all the new regulations, there is

a limit to the amount it can do. Mr Alan Lord, the chief executive, makes the point that a business strategy requires a series of planned and sequential steps. Given that Lloyd's consists of 410 small businesses, this is almost impossible for

the executive to pursue.

Regulations have been tightened up. It is now more difficult for managing agents to leave an accounting year open on the grounds that potential claims cannot be estimated. Members are better informed about the business done by the syndicates to which they belong. Against some resistance, market barriers between the marine, non-marine, aviation and motor sectors are being abolished.

Brokers provide 85 per cent of business but service companies are

Brokers provide 85 per cent of business but service companies are becoming more popular as a way of making contact with customers. Improved information systems should make it easier for provincial brokers to place risks without going through their head office to reach Lloyd's.

Lloyd's also has to sell itself harder to its members, the number of which

head office to reach Lloyd's.

Lloyd's also has to sell itself harder to its members, the number of which dropped by 2,321 to 28,336 last year. Most of these were names with a small commitment. Overall capacity went up, so the defections have no impact on the resources of the market. Syndicates are in any case using only 60 per cent of their capacity.

Though more members may be needed, nobody knows how many would like to leave

More important, membership of Lloyd's no longer has its old fiscal incentive as a way of reducing tax liability. The advantage to members today is that of using money twice, in the sense of using their assets and at the same time pledging them as part of Lloyd's capacity.

But in the longer term Lloyd's might need more members to take advantage of an upturn in insurance rates and here it could be in difficulties. Some 50 per cent of members are locked into Lloyd's because they belong to open years when their syndicate could not close its account. Nobody knows how many would like to leave the market.

would like to leave the market.

Overall, the problems of Lloyd's are not as bad as they look or, to put it another way, they are no worse than many commercial companies with heavy involvement in the US property/casualty market. They are, however, very much more visible because of the Lloyd's name and the scandals of the early 1980s — but there is not very much that anybody at Lloyd's can do about this.

Patrick Cockburn

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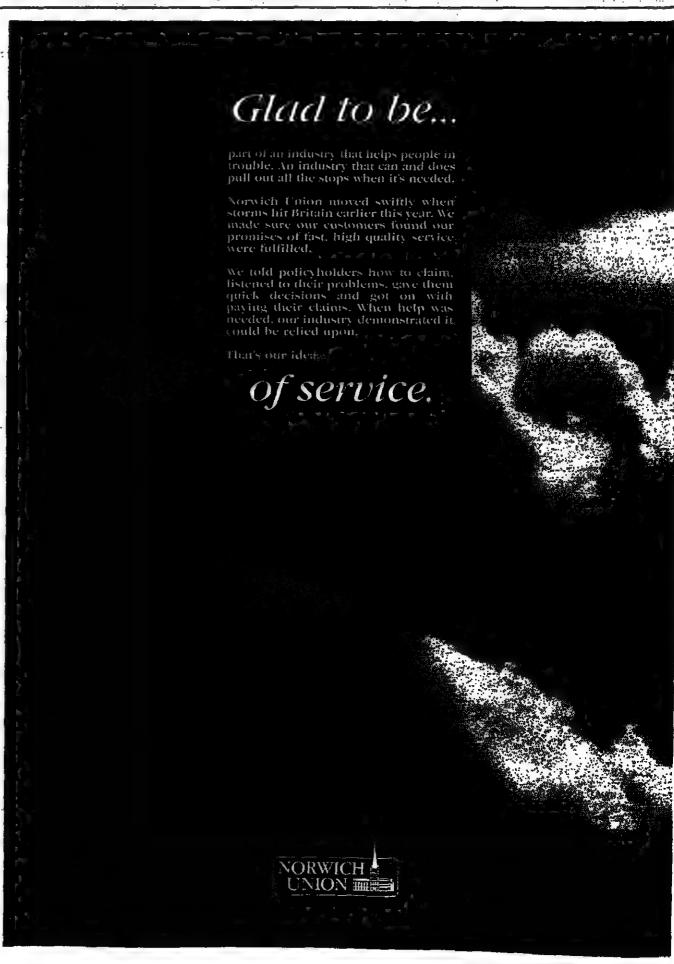
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Where life insurers can afford to be optimistic

# Savings give Italy scope for growth

ITALY'S LEADING COMPANIES in Lin (1988)						
	Premium income*	Net profit	Net worth	Reserves		
Generali	3,339	340	2,698	10,007		
RAS	1.864	61	1,151	3,687		
SAI	1,635	88	836	2,809		
INA	1,626	93	1,193	8,805		
Assitalla	1,426	33	542	1,574		
Unipol	880	44	290	1,230		
Licyd Adriatico	814	36	222	1,107		
Toro	768	69	584	1,337		
Foodlaria	754	103	591	1,259		
Alleanza	753	75	408	1,696		

"LIFE INSURANCE in Italy has large possibilities for growth, affirms Mr Enrico Tonelli, chairman of Associazione Nazionale fra le Imprese Assicuratrici (Ania), the national association of insur-

ance companies.
Figures for annual premium income from direct work in the Italian market show that opportunities are already starting to be exploited. Between 1984 and last year, premiums from life and

The Government will be given power to block acquisitions

endowment policies rose by nearly 270 per cent. Though there has been a slowdown in annual rates of growth, from nearly 40 per cent in 1986 and 1987 to 26 per cent in 1988 and 15 per cent last year, several factors support expectations

that growth will be strong.
"The Italian's high propen sity to save, his growing awareness of insurance, the tendency to use savings fessional specialists and the parallel qualitative improvenent in the products offered by insurance companies are factors that together give plausibility to a scenario of buoyant development for the life sector in the 1990s," says Mr Toneili.

If the life sector grows as he expects, a better balance would be achieved in relation would be subseed in relation to either risks. In spite of the growth recorded in life and endowment business during the second half of the 1980s. last year this represented only 24.5 per cent of total direct Italian premiums. Other risks still dominate, particularly obligatory third party automo-bile insurance which alone generates one-third of total

premium income. Unbalanced in terms of division of business between dif-ferent sectors, the Italian market is also geographically lopsided. Per capita expenditure on insurance in the Lombardy region of northern Italy is more than four times greater than in the peninsula's Calabrian toe. Lombardy and Calabria represent the extremes, but overall north-erners spend about three times as much on insurance as

southerners. Low demand for insurance in the south is partly a reflec-tion of unequal distribution of business activity and a significantly lower per capita GDP. But it is also a question of cultural differences, with con-sumer awareness of the value and benefits of insurance cover being considerably wer in the mezzogiorno than

in the north. Together with the unbal-anced portfolio structure and the generally low level of insurance in Italy, this geo-graphical factor helps to explain foreign insurers' inter-est in the Italian market. "Foreigners have increased their presence both directly through representatives and indirectly through the acquisition of local companies," says Mr Tonelli. Non-Italians now hold more than 30 per cent of the

During the past three years 25 foreign insurance compames have entered the Italian market or boosted their pres-ence. Of these seven were French, six were Swiss and six British. Of the total of 248 companies authorised to operate in Italy by the regulatory body ISVAP at the end of last

year, 56 were foreign.
Italian insurance is feeling the effects of an internationalisation process. "For Italian companies, with the exception of those few that have operated internationally for some time, the single internal European market will mean leav-ing the relatively protected

environment in which they were born and have devel-

oped," says Mr Tonelli. Ania's chairman emphasises that international competition will not be limited to companies that choose to venture abroad. "Even those compa-nies that opt to conserve and defend their positions on the domestic market will face international competition," he says. He believes that they will adopt strategies based on niches, specialisation, service improvement and agent fidel ity to protect their markets.

Mr Tonelli does not see any barriers, either juridical or economic, to the entry of economic, to the entry of foreign insurers, particularly if they are from EC countries. "However, parliament is in the course of approving legislation that will give the Government power to block the acquisition." of Italian companies by for-eigners, where these are from countries that do not give parity of treatment to similar operations by Italian compa-

Ania's chairman says that freedom of establishment and edom of operation are certainly not problems for EC companies, and that home country control is not a matte of contention. And on the issue of separating life and non-life business, Ania has backed the multi-risk approach that allows compamies to operate in all sectors.

"If Italian insurers have to
demerge their businesses we
would seek legislation that
would remove the fiscal burden that would arise," Mr
Toppelli same Tonelli says.

However, convincing the politicians to ease taxes affecting the insurance sector is difficult. "Taxpayers may only deduct L2.5m of life and pension insurance premiums on returns, a figure unchanged since the mid-1980s. The Gov-ernment's financing requirements prevent an increase in this allowance," says Mr Tonelli. He notes that Italy is unique in its 2.5 per cent tax on premiums.

Obtaining agreement to legislation for the insurance sec

Lombardy spends four times as much as Calabria per capita

tor is far from easy as the dif-ficulties over private pension schemes have shown. "Vari-ous bills have been prepared but have been blocked by lack of consensus, creating a dam-aging situation of uncer-

Mr Tonelli would also like to see more certainty about the diversified distribution chan-nels for insurance. "After years of separation between banks and insurance, the gap is gradually being closed. There have been some operations in which institutions have taken equity stakes in companies of the other secin companies of the other sec-tor. And forms of co-operation at a functional level, using bank branch networks to dis-tribute insurance policies are being developed," says Mr Tonelli. However, the process moves slowly because of nor-mative constraints.

Will the pace increase? Probably EC changes and the process of internationalisation will encourage faster develop-ment in Italy. In the past six years direct premium income has risen sharply, with a real increase of 53.6 per cent from L14,268bn in 1984 to L29,550bn last year, lifting the ratio of insurance to GDP from 1.96 to 2.5 per cent. But Italy is still under-insured compared to other major industrialised countries. The considerable scope for growth should continue being realised during the coming decade.

David Lane

THE ITALIAN MARKET: Life at	ed non-life (%)
Generali Group	14.23
INA Group (state)	11.62
Public bodies	4.70
Co-operatives and mutuals	10.13
Other private companies	2.52
Foreign companies	29.80
Foreign representatives	4.10
Industrial/financial companies	22.90

Diana Smith takes a look at the opportunities in the Spanish market

# No Klondike — but prospects are quite good

FROM afar, Spain's insurance market seems to offer unlimited opportunities. The country has a largely young, upwardly mobile population of nearly 40m people whose assets and potential as insurance customers are

increasing.

From a distance, the market seems dramatically under explored, as rich potentially as a latter-day Klondike for companies that until 1986 and its entry into the European Community scarcely thought of Spain as a

Seen in close-up, Spain is definitely under-insured - but no Klondike. Since 1986 several hasty prospectors have discovered that the stakes for which they paid exorbitant sums are big losers.

Insurers who have operated in Spain for generations confirm that the Spanish market affords buoyant prospects in almost every segment - life, pension and retirement plans, health, commercial and domestic multi-risk large, medium or small industrial risk and transport. France's AGF, insurance pioneers in Spain in 1820, now controls a Spanish group that constantly expands its products and sold Pta 32.9bn (£183m) of premiums in 1988. The black spot is vehicle insurance

plagued by soaring claims, repair and health costs and steep court awards for victims that have begun to push into the \$1m bracket. Consequently, 1969 losses in this segment exceeded Pta 175bn: companies like AGF or the Swiss Winterthur shield themselves

from the fall-out from the maybem on Spanish roads by careful sifting of drivers' records or pioneer bonus

As a market, says Mr Pierre Pierart, managing director of AGF Seguros, Spain yields fruit through patient, sustained cultivation; growth and profits are certainly there for Spanish. EC or non-European insurers, whether old-timers or newcomers short term.

There are hurdles: not least the There are hurdles; not least the Spaniards' tendency to spend and not to save what they earn. It is a slow process coaxing them to think about multi-risk, life or retirement insurance as a way of protecting their assets and their futures rather than as a get-rich-quick tax dodge like the enormous boom in the single premium short-term life insurance — the "Primas Unicas" — that caused a "Primas Unicas" - that caused a stampede in 1985-88 by black money

search of tax havens. When the authorities decided that when the anthornes decided that the Primas Unicas were being used as alternatives to tax-liable short-term bank deposits, they imposed a 20 per cent withholding tax, backdated, on the policies, and ruthlessly pursued institutions and customers who had

mstitutions and customers who had run up Pta 1.5 trillion (28.33bn) worth of Prima Unica holdings.

In the view of leading insurance brokers such as Mr Miguel Prieto, head of Cotes brokerage and sec-retary-general of the Spanish Brokers' Association, the Prima Unica phenomenon wildly distorted the image of a

Mr Prieto argues that premiums total of some Pta 400bn raised unrealistic hopes of rapid profits among newly-arrived European companies. The latter, having reviewed market studies that appeared to indicate a spectacular 30-40 per cent annual growth of life premiums, rushed into Spain hoping to grab a share in the

In reality, says Mr Prieto, solid, sustained growth lies in insufficiently-covered areas such as industry and commerce, where barely 50 per cent of Spain's hundreds of thousands of small-medium enterprises have any

of small-medium emerprises have any insurance coverage at all, and those who do have coverage are under-insured in multi-risks.

Larger enterprises bave traditionally bought more premiums but this is so, at least in part, because the enterprises are often controlled by Spain's powerful network of banks which in turn own the country's biggest insurance companies. The system functioned until the chill winds of EC competition began to whistle in the mid-1990s on a sort of closed circuit bank-tied factories bought insurance from bank-tied companies and banks' annual reports reflected ever-growing

Thus, it would be true to say that over the years, Spain's insurance market has not been so much underexplored as a whole but explored after a fashion by some 500 companies Spanish or foreign, nine-tenths of

far less speciacular real expansion of Spanish life insurance.

Mr Prieto argues that premiums which were short on assets, technique, management and range of products, and sold premiums rather

than a service. Ruthless official weeding in 1984-85, under the first blasts of market liberalisation, put nearly 100 companies into liquidation. Others were acquired by eager foreigners who were so keen to get into the Spanish market that they were willing to pay five-star prices for a one or two-star outfit. Of the 400 companies left - far too many in the view of most analysts - fewer than 50 control over two-thirds of

Spain's insurance business.

European insurers who were swee talked into buying a shaky Spanish company have not as a whole found it easy to break the tight grip on the profitable end of the life and non-life market that is exerted longer-established lished Spanish or European or Ameri-

can insurers.

The turnaround of some unhealthy purchases, racked by losses and years of touch-and-go management, has not been nearly as fast as Swiss or British insurers with long experience in their home markets or in less-quirky international markets, expected. Methods applied successfully outside Spain have not always worked and claims that sizeable market shares could be cautured within a couple of years. captured within a couple of years have proved somewhat hollow for a half-dozen or so newcomers.

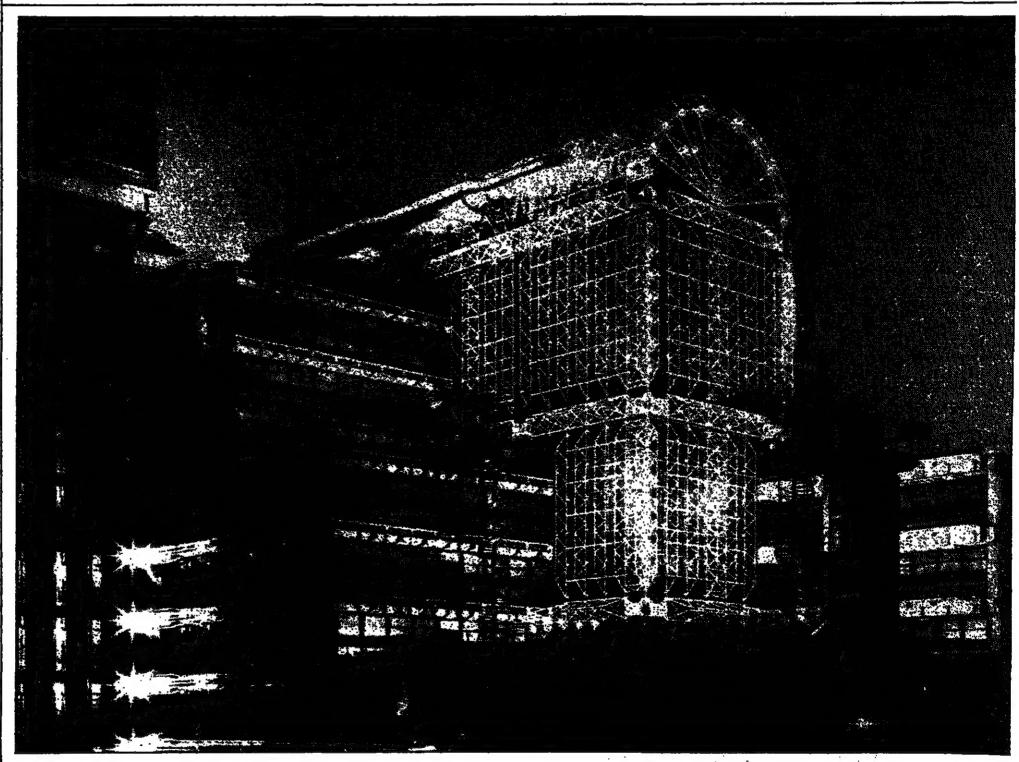
Their competitors, rather than say:
"We told you so," are busily designing
new products aimed at the rising
young professional who, surveys now

show, has begun to think a personal retirement plan will be good for his future cash flow, or a household multi-risk plus services policy is just what he and his family need.

Spain's two year old Pension Plan law is slowly paying off for insurers as companies that had never before considered offering employees a pension scheme, start to join the European mainstream where pensions are a routine part of wage/fringe benefits — and insurance companies are picking up lucrative pension plan design contracts.

The message is that Spain is good for insurers who have the financial and technical reserves, the products and means of marketing them and the insight into the peculiarities of the market that permit them to find clientele and keep them. The latter point is an important one for as yet there is no such thing as client loyalty to one company - insurers depend heavily on local agents who mostly lack proper professional

Those who want to dip into the Spanish market are well advised to walk, doing careful homework as they advance, rather than to run to the nearest entrance. The fact that only 2 per cent of Spain's income goes towards insurance compared with 4 per cent in France and 8 per cent in the US may look alluring but it will only be meaningful with the fullness



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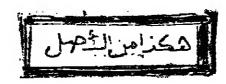
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& Holler.

## THE GOOD news first. 1989 was a year of improvement for the leading UK brokers. Sedg-wick's profits rose from £77.9m to £85.2m, the first year to see an increase since 1986. After two years of falling profits, Willis Faber saw an increase from £54.4m to £62.3m.

These turn-rounds are encouraging. Nevertheless, they arose mainly from external factors, namely weak sterling and high interest rates. Sedgwick, for instance, gained 25m from each of these factors, while Willis Faber enjoyed a £9m improvement in invest-

Margins continue to decline in the basic business of insur-ance broking, despite very creditable expense control. Sedgwick's underlying broker-age growth (stripping out the impact of exchange rate move-ments) was around 1 per cent whereas underlying expens growth was 3 per cent. With Willis Faber, the numbers were 4 per cent and 6 per cent

Every few months, brokers' shares rally on hopes that much happier days are around the corner. But the industry is not out of the woods yet.

No Early Upturn In recent months, hopes have centred on an improveThey're not out of the woods yet

markets. But that may not

It is sometimes forgotten

how small the LMX catastrophe market is in world terms. Total premium income in this market for property risks could be below \$2bn. To expect under-capacity in this market to turn around an over-capitalized \$200hn market grob as the

ised \$200bn market such as the US seems unrealistic, espe-

cially as the end-1989 solvency margin (shareholders' funda divided by premium income) of the US industry was the high-est since 1965, thanks mainly to strong stock markets. Tails

consequently, commission levels, in brokers' key markets, Perhaps instead we should sk: To what extent will following catastrophes such as the over-capacity in most other markets ball out the under-capacity in this rela-tively small market?" The answer is unclear, although a Hurricane Hugo and the storms in the Atlantic These catastrophes have led to severe capacity shortages, and thus rate increases, in pointer has been the willing-ness of various players in the London market catastrophe covers. The hope is that the under-capacity in this particular market will swamp the over-capacity present in virtually all other insurance industry to make good any capacity shortages in the US liability market caused by the

recent problems at Weavers.
The world reinsurance industry has plenty of capacity to take catastrophe business to take catastrophe business from London — the end-1989 solvency margin of the US reinsurance industry was an extraordinarily high 112 per cent. Given that, for instance, the top five US reinsurers deal direct with their clients, rather than the per care. than through brokers, such a development may well be unwelcome to brokers.

Certainly, Sedgwick does not appear to expect long-lasting recovery as the following quote from the chairman's statement in its 1989 annual report

"Our own view at Sedgwick is that the nature of the cycle has changed since the 1970s and before. The 'soft' market is the normal condition and the hard market the exception.
These conditions have intensified the competition between brokers for available business with inevitable consequences on profit margins.

The message that these diffi-cult days are going to be the norm raises the question of whether there is an insura cycle at all any more. In the last 12 years, the US property-casualty business has had nine down-years and three up-years, measured by combined ratio.
That does not sound like a cyclical industry - it sounds like a bad business.

Meanwhile the customer is also seeking more vigorously to cut his costs.

The resultant use of self-in surance type mechanisms (eg captives and risk retention groups) is now well-established in the US and is spreading across the Atlantic.

The expert, usually large,

broker should be well-posi-tioned to assist the risk man-ager in this. Mr Sax Riley, an recently wrote that 10 years ago 90 per cent of a broker's time was concerned with the transfer of risk. Now the figure is around 33 per cent. Much of the offsetting development has been the growth of self-insur-ance type mechanisms.

The trouble is that such business will be less profitable than traditional broking. It tends to be on a fee basis and just as the risk manager is avoiding buying insurance because of the cost, so he will be concerned about the level of

Theoretically, the fee system should help guarantee a certain level of profit for the broker as he should know his own costs, and just add a little on for profit margin. In reality, brokers do not always have an accurate feel for their own costs and it is always better to reduce your fee rather than have staff sit around, doing nothing. Competition on fee between brokers is thus becom-

more of a feature.

And the risk manager himself is questioning whether he needs the help of the brokers.

Last year, the chief executive of Airmic, the UK risk managers' association, described some risk managers as "wellsome risk managers as "well-qualified, properly regulated and very familiar with the industries which they repre-sent — much more so than an outside broker could be." He added that having intermediaries between insured and insurer could hamper each party's understanding of the other's position. London Market Doubts

Meanwhile, underwriters are themselves questioning the relationship with brokers. That is particularly noticeable in Lloyd's where historically the vient to the broker and the brokers enjoyed their highest profit margins. There is a tension between the two groupings these days: the Lloyd's syndicates are leading for particular the property of the prope syndicates are looking for new ways of gaining business (through computer links or going out to get it themselves) while the large brokers are reducing the percentage of their business they place in

Lloyd's.

Meanwhile, the image of Lloyd's has not been helped by the much-publicised wrangling and syndicates over who pays long-standing US liability claims, and the LMX market dislocation folEurope is the brokers' major target area for growth. As the market for commercial lines open up across national boundaries, so the potential for brokers should expand. The large corporate company on the Continent is going to need advisers to help him best place his insurance outside his own country and to provide him with more advanced expertise on risk services. The big multi-national brokers should have those skills and are thus getting into place on the Conti-nent. Probably the major development in the last 12 months

has been the Marsh & McLennan acquisition of its

German associate, Gradmann

ers on the Continent will not give ground easily and have the client contacts to light the broker threat. Continental Europe still provided just 7 per cent of 1989 turnover at Sedgwick, and the turnover of £41.3m was not dramatically ahead of 1989's £35.4m. Gloom can be over-done. It is not that there is no future for brokers; quite the reverse. Clients will still need the skills that the more expert brokers

But developments will be - the established insur-

can offer and there will still be many underwriters who view brokers as the best way to distribute their products. The problem is that the profit margins of the industry may well stay less than in former halcyon days, and may not support as many brokers as The writer is UK insurance analyst at Morgan Stanley

European insurance sector France W German

Andrew Diugolecki explains the upsurge in weather claims

# Running before the storm

OVER THE past 20 years there has been a dramatic increase in the cost of weather catastrophes to UK insurers. At £1.2bm, the October 1967 hurricane cost twice as much as all the major incidents since 1960 combined. the cost was only surpessed by the £2.5km in claims on insur-ers as a result of the twin

ary 1990.

Other weather losses have also escalated. The 1967 freeze was the most costly since insurance records began, and the cost of subsidence claims

the cost of subsidence claims arising from the dry summer of 1969 may well reach those from the Great Drought of 1976. Some commentators suggest that this upsurge in weather claims is due to a genuine shift in climate as a result of the so-called greenhouse effect. My own analysis of recent weather patterns reaches rather differ. own analysis of recent weather patterns reaches rather differ-ent conclusions. It suggests that temperature and rainfall, peculiarly equable in the 1960s and 1970s, have now returned to more normal conditions, in which serious incidents are

Data on wind speeds is not so reliable, but Professor Hub-ert Lamb, the doyen of clima-tologists, maintains that there is a 100-year cycle of storms which hits the last decade of

each century.

Given that there has been a move towards more extremes in the UK climate over the past 30 years, is this sufficient to explain the greater costs now the increase? And what can hitting insurers? And what can we say about how those costs will behave in future?

Comparison of the costs of major and minor weather incidents over the last 30 years suggests that over this period the same set of weather condi-

previous level of loss.

Broadly speaking, there are three reasons for this: increas-ing exposure, evolution of the insurance product itself, and changes in the way the policy-holders use the product.

Exposure, or physical risk, has increased due to populasumer wealth. These factors are generally thought to be favourable for the insurer, since consumer expenditure on insurance bands to rise faster than GNP. (Real growth also helps to abute price competi-

But consumer wealth naturally produces a shift in the type of goods being insured, and in the associated lifestyle. and in the associated lifestyle.

Perhaps the best example of this relates to domestic plumbing. The proportion of households with cantral heating rose from 37 per cent in 1972 to 75 per cent today. The cost of the installation adds relatively little to the value of the typical house — under 5 per cent — and so produces only a small additional smount of premium. additional amount of premium.
But the length of pipes carrying water internally is extended by several hundred

per cent.
If we then add another bathroom, furnish the house with fitted carpets rather than linetime switch to a lifestyle where the home is frequently unoccupied in winter, then obviously the risk of costly water damage will increase by more than the

While individual changes in while individual changes in exposure may be found by on-the-spot surveys, this is rela-tively rare for domestic insur-ance owing to the high cost of home visits. The general trend over time was overlooked, because at first the business was profitable, and then later the problems of theft claims The clearest example of a

product change in the insur-ance product producing more claims was the introduction of subsidence cover for domestic buildings in 1971, without an adjustment to premium. Retri-bution soon followed with the orman soon mhowed with the dry summers of 1975 and 1976. Other developments leading to higher claims include the spread of "new for old" replacement cover, which largely ended the reduction of replacement cover, which largely ended the reduction of claim sattlements by depreciation as with pure indemnity cover. Again, the change was introduced quickly under competitive pressure, and

again we are still learning to strike the balance between premium and risk. Perhaps the most insidious change has come in the way that the product is used by the policyholder. The advent of "All Risks" cover changed his perception of claiming. From being a rare event, following an Act of God, claims could now be made for (almost) any occasion of bad luck or care-lessness. At the same time, as are more aware of their rights, and more prepared

For their part, insurers have encouraged this trend by the introduction of "plain English" policy wording, and easier procedures for claiming, like telephone helplines, as part of their strategy to develop brand loyalty. As a result, it is almost impossible to know whether a anurious claim. The made Spurious innocently, or just to see if a maintenance them can be met by the insurance policy. And of course the best time to try to put a dodgy claim through is when the claims department is the try to the claims of the deliver of

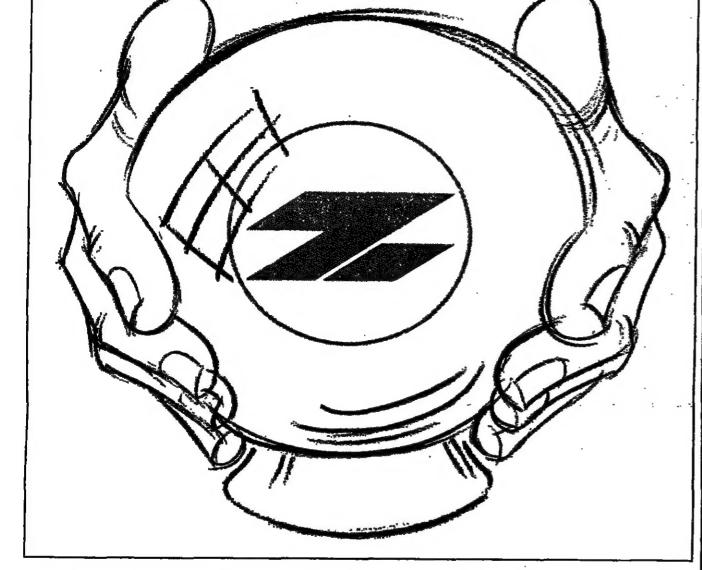
If this is the shape of things to come, can insurers make money out of underwriting? From the point of view of the insurers changes are needed which maintain customer relations while encouraging responsible claiming and getting right that vital equation between premium and outgoings. Measures might: and outgoings. Measures might: include a range of household policies, which offer chasper

up to its ears in a deluge of

no claims bonus to reward careful policyholders. On the commercial front, small weather claims can be eliminated by using increased deductibles, from £100 to £250 per cialm, which will remove the administration of maismore

difficult. Clearly, customers need to pay more, and reinsurance rates have already risan 33 per cent this year, but 1992 and high interest rates are exerting powerful pressure on insurers to concentrate on market share. There is a growing call for the Government to allow UK insurers the same tax-free catastrophe reserves as foreign competitors, although pessimists com-ment that there will be no need to smooth results in future, because there will be a disaster

The writer is a commercial



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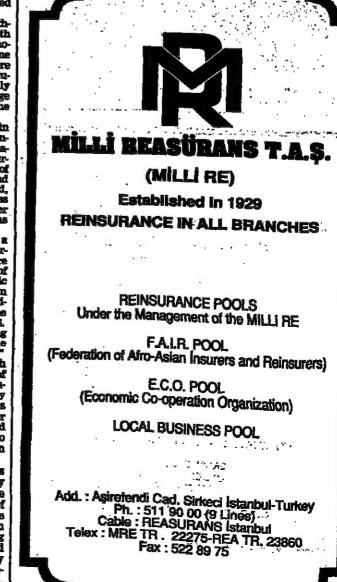
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# Shock waves hit the UK

industry is still coming to gripe with the full-implications of the 1986 Financial Services Act and the rules and regulations that have emerged from it. But already the impact of this legislation, enacted osten-

EDDAY MAY

sibly to protect consumers, has resulted in major upheavals within the industry affecting almost all aspects of operation. The first shock wave to hit

the industry was the infroduc-tion of the polarisation regular-ment whereby an intermediary marketing life assurance prod-ucts must either be completely independent and deal with the whole market, or be the representative of just one life com-

pany.
This was accompanied by two other shock waves:

The requirement that an infermediary give best advices, which for independent advisers meant dealing with the whole market and recommending the best, not just dealing with a few selected companies, and

The requirement that inde-

The requirement that inde-pendent advisers disclose to their clients the commission received as a result of a sale. Finally, the whole industry-was hit have by the costs of complying with the financial services regulations — costs which were proportionately heavy for the smaller interme-

These waves brought about several reactions, many of which were interlinked.

Intermediaries who previ-ously considered themselves independent had to decide which status to adopt - independent or company represen-tative. Many opted to cease being independent and become a tied agent of a particular life

ompany. In turn, life companies, especially those not in the top flight for investment performance, which previously mar-

torn

their distribution outlets to

secure their new business.

Midland Bank ascertained quite early in the upheavals that the public, in general, was completely anothetic over who if dealt with - independents or company representatives.

Those building societies which started off as independent advisers switched, in the course of time, to becoming But Midland Bank also set

Banks and building societies may dominate the life industry

the trend by setting up its own life company - Midland Life - and its branch staff became representatives of its in-house

ife company
Other cleaving banks — Barclays and Lloyds — have had
their own in-house life compames for some time, starting the operations from scratch under their own steam.

Midland, however, went into partnership with an estab-

lished insurance company, Commercial Union, to form its life company, with Midland holding the majority of the

equity.

Commercial Union supplies
the saministration and product
expertise, while Midland provides the distribution and

This development has been This development has been followed by the Royal Bank of Scotland and certain building societies, including the Woolwich and National & Provincial, having taken the decision to cease being independent, further decided to go all the way and set up their life companies with established life companies as junior partners.

Britannia Building Society was unique in that it managed. to acquire an existing mutual life company, the Glasgowbased PS Assurance.

Experience has shown that it takes time to build up from scratch the necessary administration systems and product expertise necessary to run a life company.

These partnerships enable the new life company to use the product know-how of the established life company — initially the products launched are clones of those contracts in the product range of the estab-Hehed life company.

And usually, the administration of the new life company is handle on the existing systems of the established company, This contrasts with the action taken by most building societies to become the repre-

societies to become the repre-sentatives of a existing life company where technically the life company is responsible for the marketing by the building society of its products and of the staff involved. Already, it appears that such

ties are causing friction and there could be an reappraisal of the situation by societies. Some insurance analysts argue that these developments may be the start of the process whereby the life assurance industry in the next century will be dominated by the banks and building societies, though these institutions will probably have become indistinguishable by them

by then.
Certainly, once the managers of the in-house life company have acquired the experience of running the company, banks and building societies are likely to consider buying out the life company partner and have sole control over the

in-house company.

A further pointer to the way the UK life assurance industry is likely to move came with the tie-up between the life assur-ance and other financial services operations of Lloyds

conglomerate, Lloyds Abbey

Some major life assurance groups could still react to this development by themselves acquiring a deposit-taking and

lending operation.
The giant Prudential Corporation makes no secret of the fact that it would like to take over a building society and has already had preliminary, though unfruitful, talks with

This year's Budget, which was favourable for banks and building societies but had little for life companies, could act as a catalyst in the thinking of

life company executives.

Analysis already feel that there are too many life companies operating in the UK. In particular, there are too many small companies that do not seem able to grow beyond their current size relative to the There is already a need for

mergers and amalgamations of small and medium companies. The entry of even more life companies into this field with established distribution net-works could get these mergers

In theory, these life compa-nies offer attractive opportunities for overseas insurance groups and other financial conmerates to enter the UK financial services market and from there into Europe. Although there has been some takeover activity by over-

seas groups, with European institutions to the fore, only small companies are up for sale at high prices. However, the outlook for the life assurance industry over the next couple of years is one of rising costs and falling new

Clouds over pensions spree

CURRENTLY OVER half the new business transacted by life companies operating in the UK

is pensions business. For some life companies, it can represent as much as 85 per

cent of their business. The radical changes in the UK pensions framework intro-duced by the Government in 1988 created very favourable conditions for life companies to supand their pensions business. Generally, life companies and intermediaries have faken

advantage of these conditions. The first and most significant of these changes was the introduction of a new-style personal pension for employees not in a company pension scheme and the ability of employees to use a personal pension to opt out of Serps (State Earnings-Related

ension Scheme). Employees who were not already in a contracted-out pension arrangement were given additional encourage-ment to opt out of Serps by the Government paying additional incentive contributions into a contracted-out personal

Life companies and intermediaries seized on this latter feeture last year to mass-market personal pensions to contract out of Serps, spearheaded by blanket TV and media advertis-

4m personal pension contracts were sold, of which well over 3m were used to contract out of

The relate only personal pen-sion contracts used to opt out of Serps proved to be ideal contracts for the agents of home service insurance to market to

The unique feature of these contracts is that the employee does not have to put down any money. The rebate comes out of

his National Insurance contri-butions. In addition, if he is not contracted out of Serps, then the employee receives an additional incentive contribution

from the Government. So, as a result, Prudential has sold over 225,000 contracts, the Co-operative insurance Society 131,000 and the Britannic Assur-ance around 100,000, for which the company received a market-

ing award. It is a most point as to whether as much personal pen-sions business would have been transacted had not the house mortgage market been depressed at the time.

As it was, intermediaries have the time to push personal pensions business to replace the lost mortgage-related life

But this year, the push for personal pensions business shead of the end of the 1999-90 financial year has been in a much lower key.

Life companies so arranged

their contracted-out personal pensions contracts so that these were automatically renewed unless the employee concerned, or his adviser, informed the life ompany otherwise. This has left companies and

intermediaries with more time to build on last year's success and market top-up personal pensions to those employees who took out only contractedout personal pensions last year. In addition, last year's success in personal pensions gave life companies a Sm-person data hase of employees who are not in a company pension scheme

and who are open to marketing for personal pensions. Figures issued recently by the Association of British Insur-ers show that the personal pen-sions boom still has a lot of steam left in it. New annual premiums in the

first quarter of this year were 6 per cent up on the first quarter of last year, while single premi-ums had more than doubled. These figures confirm the

reports from individual life companies which show that in general companies have at least held on to last year's growth, despite indifferent investment returns so far this year.

However, this rosy picture is disturbed by two clouds - one overhead and the other on the horizon.

The employee does not need to put down any money

scene with high mortgage rates could well result in employees cutting back on their pension contributions or deciding not to enter any pension commit-ments in order to meet the

mortgage bill.

The central theme of the Government's pension reforms was freedom of pension choice for individuals.

So unlike company schemes, where the contributions paid by the employee represent involuntary savings on his behalf, freedom of choice with personal nsions means freedom not to

do anything. Behind the more distant cloud is the Labour Party, which has always been overtly uneasy towards the concept of personal pensions and down-right hostile towards using personal pensions to contract out

tion, then it intends to restore Serps to its former glory and make it virtually impossible for employees to use personal pen-sions to contract out of Serps.

Incentive payments will stop the moment Labour gets

However, 3m employees are a lot of voters. So Labour has gone back on

its initial proposals that employees who contract out of Serps through a personal pen-sion should be forced back into

Now it proposes that they can continue to remain con-tracted out of Serps. Instead, it hopes to be able to convince employees that the restored Serps offers better value than

personal pensions. The Labour proposals even anvisage bringing the self-em-ployed into Serps – a move that would hit an important sector of the personal pensions

However, previous attempts to provide state pensions for the self-employed other than the basic flat-rate pension have failed to get off the ground. Until the Labour Party publishes more detailed proposals about its pension plans, it is impossible to judge whether there is a viable method of bringing the self-employed into

Meanwhile, the self-employed will still need to make their own pension provision through personal pensions, thereby pro-viding life companies with a vital and profitable source of

personal pensions business.

The Government's reforms also ended the life companies' monopoly in providing personal pensions. Now banks, building societies and unit trust groups can market at least the savings element of personal pensions. To date, very few of the insti-

tutions have taken advantage of this new facility. Those which did market personal pen-sions have found the build-up rather slow.

Eric Short on the opportunities for UK mutuals

was unique in that it manage

# Test is yet to come

MUTUAL COMPANIES, where there are no equity shareholders, are an important sector of the UK insurance industry, particularly in life assurance. The upheavals in the whole financial services industry and the rapidly changing environ-ment in both the UK and Europe are having dramatic repercussions on insurance companies, but even more so on the mutual companies.

The new environment has resulted in growing competition both between it It also offers

and take advantage of these

financial institution or equity shareholders to meet the grow-

ing capital demands. been immediately acquired by an outside financial institu-

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and take advantage of these opportunities requires adequate capital resources, and the capital backing of companies will need to expand over the next decade.

Mutual insurance companies have no other source of capital other than what can be generated internally from their own resources. There is no other financial institution or equity

mutual been able to convert into a publicly-quoted However, with some notable exceptions. UK mutual compa-

nies do not seem to have reached the point when they sither have to demutualise or go under. Most mutual companies were founded centuries ago — Equitable Life was founded in 1762 and Scottish Widows is celebrating its 176th year this year.

During this period, many mutuals have grown sufficiently to become major UK life companies.

Decades of prudent actuarial management in an era of

rather gentle competition has resulted in very large free reserves being accumulated. These reserves are now standing these mutuals in good

by one of the exceptions mentioned above - the Glas ed FS Assurance which gow-based FS Assurance and last year demutualised and was immediately acquired by the Britannia Building Society FS had operated as a mutual life company for less than 30 years, having converted from being a friendly society.

With funds at the time of

around £200m, it was very small by life company stan-dards and did not have the resources to compete under current conditions.

But one can argue that the real test for mutuals has yet to

Up to now, they have been operating under boom market-ing conditions with expanding new business.
The decline in mortgage-related business as a result of the depressed hous-ing market has been offset by

the boom in pensions business, particularly personal pensions. The increasing financial strain brought about by increasing competition and the requirements of the financial services regulations have been met from the front-end loadings in the new business

For some companies, it has papered over the cracks that were appearing.

However, many life compa-nies executives are bracing themselves for a drop in new business premiums while costs continue to spiral upwards. Under such conditions, companies are tempted to try

to maintain market share by increasing commission pay-ments and hold on to competitive bonus rates by raiding the The consequences of poor expense control and maintaining unjustified bonus rates

where highlighted by the prob-lems of the mutual life com-pany, United Kingdom Provi-dent Institution. Its problems became so severe that it had to be rescued by another institution other mutual life company,

There will be approximately 4600 insurance companies competing in

Europe After

\_\_\_. Of these, there are only 838

ompetitive market – Britain; 56

life insurance: and

rest don't provide household helplin 't insure events against

companies aren't even interested in the effects of bad weather and

conseasy does all of the above. insuring against the possibility is

EAGLE STAR. Always a good idea.

# How the US cycle influences the UK

NEVER HAS the UK composite sector had such a bad first quarter as that which is now being reported. Heavy storm losses have come on top of rating structures weakened by competition to produce pre-tax losses. These losses may be unprecedented but they are almost insignificant when compared with damage done to balance sheets by falling equity and bond markets. However, these difficulties

are far from permanent. Markets recover and insurance pre-mium rates sooner or later reflect loss costs. Thus a long-term view of the UK com-posite sector throws an interesting light on modern profes-

These companies are trading in a profit cycle that last time

PERPETUAL DIVIDEND COVER

Total Interest Equity dividends

to peak in 1988. Although their chief executives rarely have more than 10 years in office, is frequently based on economic prospects for the coming decades. Against this background of long-term cycles and longer-term planning, modern professional investors find that they have to answer

quarterly\_performance

Thus we see General Accident pilloried for NZI Bank losses, but little appreciation of the long-term benefit of its acquisition of 10 per cent plus market share in seven Pacific Basin newly industrialised countries. We see Guardian Royal Exchange's tie-up with the largest private sector bank in Italy, Europe's fastest grow-

(Em)

254.7 44.9

described as a negative development. Similarly GRE's dramatic link with Nationwide Anglia had no effect on its

The market can be more forgiving about catastrophe losses. The impact of reinsur-

Hurricane Hugo Initiated a strong run in share prices

impact on subsequent rating are appreciated. Thus Hurricane Hugo, costing four times more dollars than any previous hurricane, initiated a strong run in share prices on both sides of the Atlantic. The hope was that the losses would turn

21.8 322.6

477.3

61.0 73.6 101.0 (123.0) 82.1% 157%

ESTIMATED COMPOSITE INSURERS' INVESTMENT INCOME MIX IN 1989

(Em)

324.6

37.7

(106.5)

the cycle of competition in the

In fact, these hopes prove the California earthquake, the present cycle of competition remains severe outside those areas most directly hit by catastrophe losses.

The US insurance cycle has been detectable for as long as records exist. Since 1970 it has intensified, swinging the entire US property-casualty insurance industry from underwriting profits to pre-tax losses in 1994 and 1985. The impact of this cycle on the international world of insurance was felt outside the US. Canada suffers directly, along with the important London insurance

The US insurance cycle has therefore been the prime

57.2 356.7

40.5 142.8 137.5

determinant of the rating of the UK composite insurers. The chart shows two aspects of the cycle. Firstly, it shows premium growth for the industry adjusted for inflation and changes in the real economy, as such this is a passable approximation of premium rate changes in the US. Secondly, it shows the industry underwrit-ing result measured as a percentage of premium income. The intensity of the cycle can be gauged from the fact that investment income typically averages about 15 per cent of

Views about the cause and likely course of the US cycle abound. The sober assessment of Mr David Rowland, chairman of Sedgwick, is that intense price competition is the natural condition of the US increase industry. insurance industry. This view has the advantage of agreeing with the underlying economic reality. AM Best reports that the US industry had capital of \$134bn at the end of 1989. This represents a solvency margin of 66 per cent – far too much capital in a mature market to sell commodity products to donal buyers.

professional buyers.
It is hardly surprising to find that US premium growth in 1989 was just 2.1 per cent, almost 8 per cent below the level required to maintain underwriting profitability.
This type of intense competition is frequently seen in finan-

tion is frequently seen in finan-cial markets; the price war in London stockbroking is one example, the commission war in UK life insurance yet another. Its function is to reduce excess supply, its effect is to sort the weak from the strong. It does not bode well for the UK composites. In 1989, a 10 per cent underwriting loss still left the US industry with after-tax profits of \$19.5bn (including \$8.5bn of unrealised investment gains). This represented a capital return of 16.5

per cent. Barring major catastrophe hopes of an early amelioration this competition seem unlikely.
If insurance earnings remain:

under pressure, then share-holders will have to look somewhere other than profit and loss accounts for their return. They will look to balance sheets. This is not an irrelevant consideration. UK insurers are almost unique in

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excluding investment gains from profit and loss accounts but in 1989 capital appreciation produced \$2.78bn of profit for the composites. In contrast, stated pre-tax profits were just

Balance sheet strength has three roles. It supports the underlying insurance business, it underwrites progressive dividend policies and it acts as a reference point for bid rumours. It is not surprising that UK fund managers prefer to see strong belance sheets. A predeliction for balance that sheet strength has greater logic than is immediately obvious. There is the simple point that high solvency margins allow insurers greater freedom to invest for maximum return. In most years this produces greater investment returns and has led to a virtuous spiral of great strength generating even There is another aspect of

## The discount rating implies the market expects damage

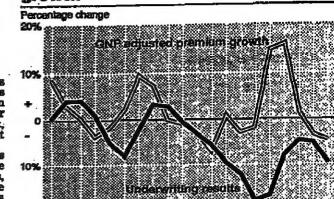
balance sheet strength to be kept in mind by those seeking relative performance. This is shown in the table, This compares dividend cost with income generated by each of these composites from their holdings in equities and property together with their life profits. These earnings have two things in common, they grow war in common, they grow year in, year out, and, provided the rest of the business is not losing money they can be regarded as wholly

support this type of income gives to dividend payments, in the extreme case of Sun Alliance this financial engine guarantees dividend growth almost 2 per cent per annum faster than its income stream. This above average growth lasts indefinitely, even in the improbable event that Sun Alliance's \$2.5bn non-life insurance business never makes a

The table demonstrates the

Less comfortable are the positions of Royal Insurance and General Accident, Royal, in particular, still carries the highest direct exposure to the US market, and now its solvency margin is

## US underwriting results and premium growth



approaching old rights issue levels. Of course its fortunes would be transformed by a turn in the US cycle combined with improved investment conditions. In the long term this seems inevitable but shorter term all is uncertainty. The question for Royal and the rest of the sector is how much damage will be done before it is clear that the turn has

74

The discount rating of the sector implies that the market expects damage and that this damage will be considerable. Take the extreme case of Sun Alliance which yields about 20 per cent more than the market prospectively. That implies an expected permanent diminu-tion in dividend cover of some £70m, which in turn implies a capital cost well in excess of

£1bn. After tax and reinsur-ance, that is the equivalent of 18 October Hurricanes, with no offsetting profits. Of course, it is just possible

84 86

82

80

that the market expects no such thing it may be that the market just gives unnatural weight to short-term factors. If so, this obviously can have so, this obviously can mare nothing to do with trustees that rely on quarterly performance measurement, and those trustees obviously bear no responsibility when UK companies with open share registers are subject to bids from foreigners with different longer-term valuation criteria. And different accounting

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Mutuals: test is yet to come

Continued from Page 5 Friends' Provident. But we could easily have seen the first demutualisation and acquisi-tion well before FS Assurance did this.

Lite profits
Dividends & rental income
Total (less tax at 25%)
Net dividend cost

PERPETUAL DIVIDEND COVER YIELD RELATIVE TO FTA

London Life provided another example of what can happen to a company that fails to control its expenses. Though the company took corrective action in cutting its bonus rates to stop the haemorrhage of reserves, the company was left too weak to compete in a market where only the strong can survive.

To the outsider, it appears

only too obvious that the smaller mutuals, at least, ought to merge to form larger,

But apparently, no mutual has considered such a course

Any such merger would mean a rationalisation of operations, branch closures and staff redundancies - too painful a process to contemplate when conditions still look

Yet, merger of mutuals may not be a viable proposition when trouble hits the industry. It takes time to organise a merger, if it is to be successful and time to resolve matters is not usually avail-able when trouble strikes. Demutualisation and takeover may be the only answer, or alternatively it could mean closing the company to new business and running off the

Executives at the mutuals freely admit that they are still considering at length their

Some of the smaller and medium-sized mutuals, such as National Mutual Life and National Provident Institution, have decided to be niche players rather than endeavour to compete with the larger life companies by offering a complete range of products.

future course of actions.

Both these companies intend to concentrate on pensions business mainly for individuals (self-employed and executives), marketing solely through inde-pendent financial advisers and concentrating on the upper end of the market, rather than the mass market.

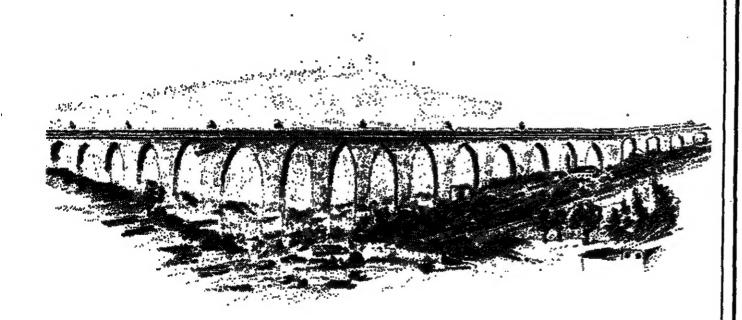
Such a market is, they believe, stable, with high con-tributions and lower unit costs. By ensuring a high level of ser-vice and good investment

returns, the companies fee that they can not only attract new business, but retain their existing business.

For the time being, at least, they have eschewed following up any of the opportunities presented by the single financial market in Europe in 1992. They are leaving such developments to the large companies.

At the other end of the scale although technically the Haifax Building Society is a tied agent of Standard Life, the link-up is developing, with a joint unit trust company, into what appears to be a merger, in all but name, between a mutual banking operation and a mutual life assurance

This could be the pattern fo



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